The Use of

Insurance Credit Scoring

In Automobile and Homeowners Insurance

A Report to the Governor, the Legislature and the People of Michigan

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TABLE OF CONTENTS

Introduction

On May 15, 2002, Commissioner Frank M. Fitzgerald of the Michigan Office of Financial and Insurance Services (OFIS) announced that he would undertake a study of the use of consumer credit history to set insurance rates and to gauge the effect of this practice on consumers in Michigan. The Commissioner is authorized to make determinations with respect to the use of insurance credit scoring in rating plans under Sections 2110a, 2403, and 2603 of the Insurance Code of 1956 (the Code), 1956 PA 218, MCL 500.2110a, 500.2403, and 500.2603.

The broad purpose of the study, which included six public hearings around the state, was to gather information on the use of insurance credit scoring in personal automobile and homeowners insurance policies and to take testimony concerning its effect on Michigan citizens. Insurance credit scores are derived from one or more formulas based on factors in a person's credit history. Formulas and scores are established by insurance companies and also by companies such as Fair Isaac or ChoicePoint.

In Michigan, most insurance companies cannot use insurance credit scoring to refuse to write a policy, cancel a policy or non-renew a policy based on a person's insurance credit score. However, many insurance companies have started to use insurance credit scoring in determining the premium a person will pay. For policies written on an individual basis, this is applied as a discount that a person may or may not be eligible for depending on the person's insurance credit score.

Because there is no intuitive connection between a person's credit history and the likelihood that he or she will incur a loss, this practice is controversial and raises numerous questions. Lack of knowledge as to how insurance credit scores are derived and what a person can do to improve an insurance credit score is raised as a concern, in addition to the overall fairness of the practice.

Subjects and issues that were addressed at the public hearings and during this study included: formulas used in insurance credit scoring; whether insurance credit scores can accurately predict the likelihood of filing an insurance claim; the range of credit history rate discounts being used; consumer awareness of the use of insurance credit scores for setting insurance rates; how the use of insurance credit scores for insurance rates is explained to consumers; and the role of insurance agents.

The public hearings were scheduled and held as follows with the information posted on the OFIS web site:

- Tuesday, June 4 - **Cadillac, Michigan**
  Link to hearing information - http://www.michigan.gov/cis/0,1607,7-154-10555_12902_15784-39843--,00.html

- Thursday, June 13 - **Portage, Michigan**
  Link to hearing information - http://www.michigan.gov/cis/0,1607,7-154-10555_12902_15784-39844--,00.html

- Saturday, June 15 - **Port Huron, Michigan**
  Link to hearing information - http://www.michigan.gov/cis/0,1607,7-154-10555_12902_15784-39845--,00.html

- Tuesday, July 9 - **Lansing, Michigan**
  Link to hearing information - http://www.michigan.gov/cis/0,1607,7-154-10555_12902_15784-39846--,00.html

- Thursday, July 11 - **Grand Rapids, Michigan**
  Link to hearing information - http://www.michigan.gov/cis/0,1607,7-154-10555_12902_15784-39847--,00.html

- Thursday, July 18 - **Detroit, Michigan**
  Link to hearing information - http://www.michigan.gov/cis/0,1607,7-154-10555_12902_15784-39848--,00.html

Written testimony regarding the use of insurance credit scoring for setting insurance rates also was solicited and was received at the hearings and at OFIS via U.S. mail and electronically via the OFIS web site. The OFIS insurance credit scoring web page, including some of these additional comments is at: http://www.michigan.gov/cis/1,1607,7-154-10555_12902_15784---,00.html

In addition to the hearings and written testimony, OFIS also surveyed companies writing automobile and homeowners insurance to obtain specific information about how or whether each company utilizes credit histories. The results of this survey will be discussed later in this report. A list of some of the largest insurers and their insurance credit scoring practices is also available on the OFIS web site at: http://www.michigan.gov/documents/cis_ofis_credscor_lst_26800_7.pdf

Due to the growing use nationally of insurance credit scores, OFIS also researched and studied other states and how or if they regulate this practice. OFIS also is participating with the National Association of Insurance Commissioners (NAIC) in its ongoing study of the issue.

<u>Historical Perspective</u>

Rate regulation in Michigan is based on laws passed by the Legislature. Statute mandates that rates shall not be excessive, inadequate, or unfairly discriminatory. With the increasing use of insurance credit scores to determine insurance rates, it is necessary to look at these mandates once again.

Insurance companies are always exploring methods of reducing their expenses by minimizing their exposure to risk. The current scheme of using credit scores in an attempt to more precisely categorize risk is an industry answer to reduction of risk. “Theoretically, each individual purchasing insurance has a greater or lesser likelihood of loss than does every other individual. But to assign a separate price to each individual would be scientifically inaccurate, hazardous, expensive, and would run counter to one of the purposes of insurance.” (1)

Michigan has regulated property and casualty rates since the 1930s. It was recognized early that availability at affordable prices of essential personal insurance -- automobile and homeowners insurance -- was a challenge. Placement facilities were created in the 1940s for automobile and the 1960s for homeowner insurances to respond to the availability problems. During that time insurance agents could make field decisions on the insurability of an applicant. Applicants routinely were denied coverage based on an agent’s judgment using the guidance of the company’s unwritten underwriting rules. An applicant denied coverage had no recourse for a fair determination of insurability. Many insureds were forced to settle for high cost, inadequate coverage through high-risk insurance placement facilities.

On January 1, 1973 automobile insurance became compulsory for drivers in Michigan. By 1976 it was apparent that availability of affordable automobile insurance was diminishing, particularly in urban areas. It also became apparent that homeowner insurance was not available at affordable prices. Insurance rates were high at the time and many people were placed with the Michigan Automobile Insurance Placement Facility (MAIPF). Being placed in the MAIPF limited the scope of coverage, and eliminated the ability to shop between companies for the best price.

The homeowners insurance market was experiencing similar problems in the 1970s. People living in cities found it difficult to obtain coverage and the rates were very high. Often coverage could only be secured through the Michigan Basic Property Insurance Association (the FAIR plan). Coverage was limited to fire and burglary. Rates for this limited coverage were very high.

In a March 14, 1977 letter, Commissioner Thomas C. Jones quoted the Honorable William G. Milliken's 1977 State of the State Message:

> [T]he citizens of Michigan are finding that some forms of insurance, particularly automobile and homeowners, are now essential investments. At the same time, many people discover that purchasing the insurance coverage they need at a reasonable price is becoming increasingly difficult, if not impossible.
>
> Inflation, changing practices in the writing of automobile and homeowners insurance, and inconsistencies in regulating the industry have all combined to create a threatening situation in the cost and availability of these essential lines of insurance. We must act before the situation reaches crisis proportions. (2)

In the March 14, 1977 letter, the Commissioner concurred with the Governor's statements and called for an effective statutory scheme to respond to those issues. In response, the Legislature enacted amendments to the Michigan Insurance Code, which became known as the Essential Insurance Reform Act, (the EIA) in 1979 PA 145. The intent of the EIA was to guarantee access to automobile and homeowners insurance, call for rates to be competitive and fair, allow for more freedom of choice by the consumer, and create an improved regulatory atmosphere.

The 1977 Report to the Governor, titled *"Essential Insurance in Michigan – An Avoidable Crisis"*, stated that the objective of fair and reasonable prices in insurance is met by prices which stand up to four specific standards:

1. Prices must provide the industry the opportunity to pay all losses and expenses and return a reasonable, but not an excessive profit.
2. Equal risks must pay equal prices and different risks must pay prices that differ solely according to their historic level of risk as represented by actual losses.
3. Classes must be created only on the basis of characteristics which have a causal relationship with loss propensity.
4. Certain characteristics are not acceptable public policy for purposes of risk classification. (3)

The Michigan Supreme Court determined in *Shavers v Attorney General*, 402 Mich 554, 267 NW2d 72 (1978), that no-fault automobile insurance did not violate the Michigan constitution but that insurance law and regulations did not assure that mandated coverages were available at fair and equitable rates. The Court also held that Michigan motorists were entitled to know how their rates were calculated and to a procedure for appealing what they believed was unfair treatment by insurers.

The court gave the Legislature and the Commissioner 18 months to develop and enact legislation to address these problems. The court held that mechanisms controlling the rate setting procedures were constitutionally deficient in three respects:

1. The terms in the Insurance Code providing that "rates shall not be excessive, inadequate, or unfairly discriminatory" were not sufficiently explicit;
2. The statutory provisions enabling motorists to challenge the rates were inadequate; and
3. There were no statutory provisions that enabled motorists to challenge being denied coverage, having a policy canceled, or being assigned to the MAIPF. (4)

Again, the emphasis of the EIA was to ensure that price differentials determined by the use of classification plans were not based on factors or judgment not fully substantiated by objective data. The purpose was to guarantee consumers the ability to meaningfully shop for the best coverage at the lowest price. It also gave consumers access to the standards the companies used to make underwriting decisions.

The Legislature, through the EIA, prescribed factors an insurance company could use to develop its automobile and homeowners rates. For automobile insurance, the factors may include the age of the driver, the length of time the insured has been driving, and vehicle characteristics. Homeowners insurance rates may include factors such as the construction of the house, fire protection class, and the loss experience of the insured. In both types of insurance the physical location of the risk – known as the geographic territory – can be used in rating the policy.

In 1986 the Legislature enacted 1986 PA 10 to loosen the constraints on territorial rating that had been imposed by the EIA. It suspended the system of rating constraints, which linked the various geographical rating areas around the state together, and put in place an alternative method of regulating rate increases in Detroit. This expired on April 1, 1992.

The Legislature introduced Senate Bill 691 in March 1992 as an attempt to roll back automobile insurance premiums an average of 15 percent and to cap medical benefits at $3 million. Governor John Engler vetoed Senate Bill 691. With Senate Bill 691 vetoed and 1986 PA 10 expired, there again were constraints on territorial rating which had the affect of linking the rates of contiguous geographic territories. Subsequently, two more attempts were made to reduce premiums and limit benefits but Michigan voters rejected the efforts in 1992 and 1994.

In 1996, the Legislature passed 1996 PA 98, which removed these territorial rating restrictions and allowed insurers to rate according to the loss experience of a geographic territory, without imposing artificial limits on rates within and between territories. This act liberalized the rate structure under which a company could develop its automobile and homeowners rates.

It is the enactment of 1996 PA 514 that allows the use of credit information under the EIA. The legislation allows an insurance company to establish a premium discount plan using factors that are in addition to those allowed in Section 2111 of the Code, MCL 500.2111. If a company chooses to use a premium discount plan, statute requires that it must be applied uniformly, must be consistent with the purposes of the code, and reflect reasonably anticipated reductions in losses or expenses.

The information gleaned from legislative analyses relative to 1996 PA 514 shows that the emphasis for allowing premium discounts was associated with factors that reduce risk to the insurer. The argument in favor of passage of 1996 PA 514 from the House Legislative Analysis Section's second analysis states, "The Act could foster greater competition in the insurance marketplace and offer consumers more choices and lower rates." House Bill 4466, which became 1996 PA 514, was described as "a bill to permit automobile insurers to establish discounts on factors which are not illegal in Michigan and which are based on reasonably anticipated reductions in losses or expenses."

How It Works

Credit-based insurance scoring, the use of select credit information to help insurance companies establish automobile and homeowners premiums, is a growing practice in Michigan and across the nation. These scores are sometimes referred to as credit scores or insurance credit scores. This report will use the term insurance credit scores or insurance credit scoring. Unlike many states, insurance companies offering automobile or homeowners insurance in Michigan cannot refuse to write a policy, cancel a policy, or refuse to renew a policy based on a person's credit history. However, this protection does not apply to the few insurers who are exempt by law and to lines of insurance not covered by the Essential Insurance Act amendments.

Insurance companies are citing Section 2110a of the Code, MCL 500.2110a, as authority to use credit factors to establish premium discounts for automobile and homeowners insurance. Automobile and homeowners policies written on a group basis, personal lines other than automobile and homeowners, and policies written by exempt insurers are not limited to using credit factors as discounts only. In these instances, companies may use credit factors in their base rates or as a surcharge. Examples of personal lines not subject to the Essential Insurance Act discount only limitation are mobile homes, rental properties, recreational vehicles, motorcycles, boats and a personal umbrella. As will be discussed later in this report, a substantial portion of automobile and homeowners policies are written on a group basis. The "discount only" provision of Section 2110a therefore does not apply to a substantial number of personal lines policies written in Michigan.

Insurance credit scores are calculated from complex formulas that are developed based on specific factors in a person's credit history. Factors used to calculate a person's insurance credit score typically include such things as bankruptcy, payment history, late payments, number of open accounts, and debt to credit ratio. Very significantly, all formulas do not include such factors as income, net worth, race, religion, and where an individual lives.

Insurance companies use insurance credit scores in an effort to identify those individuals who are likely to experience a loss and file an insurance claim. These scores differ somewhat from financial credit scores used by banks and credit card companies, which attempt to ascertain a person's ability to repay a debt. The formulas used to calculate insurance credit scores are established, developed and maintained by credit scoring companies such as Fair Isaac or ChoicePoint or they may be created and developed independently by insurance companies for use on their own policyholders.

Each insurance company must determine whether insurance credit scoring is a viable option for its use, and if so, whether it will use the services of an outside source, such as Fair Isaac or ChoicePoint, or whether it will develop its own scoring model and formulas. For those with a good score, a discount on an individual's automobile or homeowners insurance can range anywhere from a few dollars to up to 70 percent of the base premium. Because there is no standard "acceptable" score, insurance companies using insurance credit scores must make important decisions about how to apply insurance credit scores in the form of a discount. Insurance companies must decide such things as the maximum allowable discount, how many discount tiers the company will offer, and what score qualifies for what discount tier. These decisions are then incorporated into the company's guidelines to be applied as appropriate.

On the surface, this process seems straightforward. However, calculating a person's insurance credit score and providing adequate background information about the process to the applicant or insured may have many issues for the consumer, as demonstrated in the following paragraphs. First, by way of summary, is the process of how an insurance credit score is calculated by an insurance company, using an outside credit scoring source:

> The insurance company contacts its credit scoring company (e.g., Fair Isaac or ChoicePoint) for assistance in calculating an insurance credit score for an applicant or insured. The credit scoring company contacts one of the various credit reporting agencies such as Equifax, Experian, or TransUnion, to obtain the applicant or insured's credit history based upon the applicant or insured's social security number. The credit scoring company's established model formula is applied to specific credit criteria factors obtained for the individual from the credit reporting agency and an insurance credit score is calculated automatically based on these specific criteria. This insurance credit score is then provided to the insurance company and an appropriate discount is determined based upon the insurance company's predetermined tier discount underwriting standards.

Here are some of the concerns expressed by consumers and insurance agents and the problems that may arise during this process:

1. Insurance companies do not always notify the applicant or insured if credit information will be used or how it will be used. There also is some discrepancy as to how insurance companies handle individuals who either have no credit history, little credit history or those who refuse to allow the use of their credit information. There also are many life factors that can negatively affect a person's credit history, such as a catastrophic injury or illness, loss of a job, death of an immediate family member, divorce, and bankruptcy due to any of these factors. Because there are no specific statutory provisions directing companies as to how to deal with these situations, companies handle these life-altering events differently.

2. The methods and formulas used to generate insurance credit scores frequently are considered confidential information, making it difficult for consumers to know exactly what factors might cause a good or bad insurance credit score, and making it impossible to take adequate steps to improve a bad score. The insurance company generally does not provide detailed information about the specific credit factors used to calculate an insurance credit score or they are not allowed to share this information with the consumer due to confidentiality agreements with the credit scoring companies or credit reporting agencies. This lack of information makes it impossible for consumers to verify either that their insurance credit score, or the credit factors used to calculate the insurance credit score, are based on accurate information.

3. It is difficult, if not impossible, for consumers to get an adequate answer to questions about their insurance credit score from their agent, their company, the credit scoring agency or the credit reporting agency since each party is only responsible for or has access to only a small portion of the data necessary for the final computed insurance credit score. Consumers often are forced to contact each of the various parties in an attempt to "reconstruct" their scores on their own.

4. Because the insurance company or the credit scoring agency completes many of these calculation processes internally, agents often are not provided with a consumer's actual insurance credit score, only the tier for which the applicant qualifies. This lack of information does not provide the agent with the details necessary to respond to applicant or insured questions about their score, how it was generated, the actual score, what factors were used to develop the score, and how they can improve their score and the resulting discount.

5. Insurance companies rarely offer the applicant or insured an opportunity to review or dispute their insurance credit score or offer an appropriate resolution process if the insurance credit score is incorrect or uses inaccurate data.

6. Some insurance companies claim that discounts based on a person's insurance credit score may cause cost savings allowing up to a 70 percent discount. However, the ability to verify whether a consumer is receiving an appropriate discount based on his or her insurance credit score is difficult, unlike other company discounts based on such things as air bags and anti-theft devices.

7. Each company using insurance credit scores may choose to use a different model, tier structure, credit scoring company, and credit reporting agency. Because each of these variables can affect an individual's insurance credit score, this may result in a wide range of insurance credit scores being generated for the same applicant, even though very similar credit data are used. For example, a company may use an alternate credit reporting agency (e.g., TransUnion, Experian, Equifax) in the event that its usual credit reporting agency is unable to quickly provide an insurance credit history for an applicant or insured. Since credit reporting agencies do not collect, inspect, and report information on the same basis and because businesses do not necessarily report information to all credit reporting agencies, differences in the separate credit reports can result in different insurance credit scores. Therefore, the use of an alternate credit reporting agency could cause policyholders to be placed in a different and less advantageous discount tier. Consumers remain uninformed about how different companies, models, credit scoring agencies and credit reporting agencies can produce different insurance credit scores for the same person.

8. An insurance credit score is a snapshot of a person's insurance risk picture at a specific point in time. This information can change over time and can differ depending on the credit reporting agency used for credit information as noted above. Even if consumers are able to ascertain the factors that negatively affect their insurance credit score, it is a lengthy process to dispute and correct incorrect information contained in the person's credit history.

9. Many companies obtain a consumer's insurance credit score only at the time of the application and do not rerun the consumer's credit history at the time of policy renewal to determine whether the score has improved or declined and whether the consumer is entitled to a larger or smaller discount.

10. The Fair Credit Reporting Act, 15 U.S.C. Section 1681 *et seq*., requires that insurance companies notify consumers when their credit score results in an adverse action, such as a decrease in the amount of premium discount available. However, because many, if not most, consumers are not informed about how the use of insurance credit scores affects the insurance premium, they may be unaware that they have been adversely affected.

11. Consumers complain that their premiums increase even if they receive a substantial discount. This problem is attributable to the large base rate increases the market has experienced in the last 12 to 24 months, although the problem often is blamed on the use of insurance credit scores.

Analysis of Insurance Credit Scoring Survey Data

On May 15, 2002, the Office of Financial and Insurance Services (OFIS) mailed an insurance credit scoring survey to all insurance companies reporting written premium in private passenger automobile and homeowners insurance for the year 2000 (Appendix A). OFIS developed the survey in response to questions arising from consumers, legislators, and insurance agents concerning the practice of insurance companies using insurance credit scores to rate applicants' automobile, homeowner, or other personal lines policies.

Companies were asked to complete the survey within 30 days of the May 15 date, using information current during that period of time. Surveys were completed on an individual company basis, rather than as a group of affiliated companies, unless all of the responses for the entire group of affiliated companies were identical. For example, separate surveys were necessary for each of the companies in the State Farm group of companies. At the time the survey was conducted, Auto-Owners and Home-Owners Insurance Companies (affiliated companies) were not using insurance credit scoring to rate their automobile and homeowners policies. These companies are now using credit scoring. However, since their credit scoring program was not in place at the time of the survey, their numbers are not included in the survey results.

As stated earlier, personal lines insurance policies other than for automobile and homeowners are not covered under Essential Insurance. A company can cancel or deny coverage for these coverages based on the policyholder's or applicant's credit history. Other personal lines policies include recreational vehicles, motorcycles, mobile homeowners, boat owners, personal inland marine policies, and non-owner occupied dwelling policies. Of the companies that write these lines of insurance, 13 reported they used insurance credit scores to underwrite (deny or cancel coverage) based on information from those credit score reports. Fourteen companies reported using insurance credit scores only for rating purposes on personal lines, with one company using insurance credit scores for both underwriting and rating. Although Essential Insurance protects availability of automobile and homeowners insurance coverage against adverse credit history, the same protections are not available for others who need to find insurance policies for other types of coverage.

Top Michigan Homeowner and Automobile Insurance Writers

OFIS also wanted to assess the automobile and homeowners market in terms of the number of non-group automobile and homeowners policies written (which are subject to the EIA protection of no surcharging or coverage denial based on insurance credit score) and the number of group automobile and homeowners policies written. For this reason, the companies were asked to provide information about the percentage of their business that would fall into each of the four categories. The responses to this question were further refined to segregate the top writers by premium written in Michigan to produce a more accurate picture of the overall impact on group versus non-group policies (Appendix B, Question 1).

Eleven companies represent 75 percent of the automobile insurance market in Michigan. Twelve companies represent almost 74 percent of the homeowner insurance market in Michigan. Although Allstate Indemnity Company is a new company and was not writing homeowners insurance business in Michigan in 2000, the company completed the survey and it is included in the current data analysis. Since Allstate Indemnity now writes all of Allstate's new homeowners insurance business, its importance to the current market is significant.

According to the numbers provided by the top 11 automobile insurance writers, 65 percent of the automobile insurance premium is written in policies subject to the EIA, the non-group policies, while 35 percent of the automobile business is written in group insurance policies. Five of the major automobile insurance writers -- Auto Club Group Insurance Company, Auto-Owners Insurance Company, Farmers Insurance Exchange, Citizens Insurance Company, and Home-Owners Insurance Company -- write the majority of their business in the group market, with the Auto Club Group writing 100 percent of its policies in that market.

The top homeowners insurance writers reported that 77 percent of the homeowners insurance policies are written in the non-group, Essential Insurance Act market, while 23 percent are written in the group policy market. Auto Club Group Insurance Company and Home-Owners Insurance Company write the majority of their homeowners insurance business in the group market.

Companies Using Insurance Credit Scoring

According to the survey, 51 automobile insurers use insurance credit scoring to set policy discounts (Appendix C). Of the top writers by premium volume of automobile insurance in Michigan, nine (including Auto-Owners and Home-Owners) are now using insurance credit scoring, although Auto-Owners and Home-Owners data were not part of the surveyed information as previously noted. The larger number of companies using insurance credit scoring in automobile compared with homeowners is due in part to the fact that automobile insurers began using insurance credit scoring almost two years earlier than the homeowners insurance companies. Progressive Michigan Insurance Company was the first company to begin using insurance credit scoring in September 1997. Since then, the other 50 companies followed suit, with the majority beginning to use insurance credit scoring in 1999 and 2000.

Eight of the top automobile insurance writers average approximately a 33 percent maximum discount. The highest discount is 64 percent, with 10 percent the lowest discount. Only 28 percent of their insureds receive the maximum discount. Eight of the top 11 companies that report using insurance credit scoring averaged a 59 percent base rate increase since institution of the rating methodology. Their cumulative overall rate increase was 18 percent. This smaller figure is due to the premium discounts granted by the companies.

Homeowners insurance companies have instituted insurance credit scoring at a much slower pace than automobile companies. Only 24 companies reported using insurance credit scoring to rate their policies as of the date of the survey (Appendix D). Fremont Mutual first began using insurance credit scoring in November 1999. Other companies followed, with the majority of the 24 beginning the use of insurance credit scoring in 2001 and 2002.

Of the top 11 writers by premium volume of homeowners insurance in Michigan, eight of the companies (including Auto-Owners and Home-Owners) now use insurance credit scoring to rate their policies. The seven companies responding to the survey produce an average maximum discount of approximately 30 percent, with the highest discount being 55 percent and the lowest 5 percent. Only 25 percent of their insureds receive the maximum discount. Of the top seven companies using credit scoring, an average 39 percent base rate increase has been implemented since the practice was first instituted. The cumulative overall rate increase was 34 percent. Auto-Owners and Home-Owners Insurance Company data are not included in these numbers, since they were not using insurance credit scoring during the survey period.

Appendix E lists automobile insurers reporting that they are not using insurance credit scoring in Michigan. Appendix F provides the same information for homeowners. Appendix G lists insurers who report the use of insurance credit scoring for personal lines other than automobile and homeowners.

Discounts and Tiers

Michigan's Essential Insurance Act sets forth the rating criteria insurers can use to establish automobile and homeowners premiums. Once the criteria are used to set the base rate, the insurer can change that rate only through the use of discounts permitted by Section 2110a of the Insurance Code, MCL 500.2110a. Therefore, companies using insurance credit scores must apply it as a discount from the base rate, rather than as a surcharge. Those consumers who have a lower credit score receive a smaller discount and thus pay a rate much closer or equal to the higher base rate.

The surveyed companies were asked to provide the maximum discount given off the base rate, and the percentage of policyholders receiving the highest discount. The highest maximum discount reported in the automobile insurance category was 73.6 percent used by Mutual Service Casualty Insurance Company. Approximately 25 percent of its insureds received this maximum discount. The lowest maximum discount given was seven percent by Pioneer State Mutual Insurance Company. Only 16 percent of its insureds received this maximum discount. The average maximum discount given by automobile insurers was 37 percent, with approximately 26 percent of insureds receiving the highest discount. The median percentage for the maximum discount is 33 percent and the median number of insureds receiving that discount is approximately 18 percent. Automobile insurance companies report using one to 46 tiers for insurance score rating. However, the 46 tiers used by Trumbull Insurance Company is unusual. The majority of the automobile insurers use three to eight tiers in their rating plans.

The highest maximum discount reported in the homeowners insurance category was 64 percent used by State Automobile Mutual Insurance Company. Roughly 22 percent of its insureds received this maximum discount. The lowest maximum discount reported was 5 percent offered by Pioneer State Mutual Insurance Company. Only 9 percent of its insureds received the maximum discount of 5 percent. The average maximum discount given by homeowners insurers was 35 percent, with approximately 26 percent of the insureds receiving the high discount. The most frequently used discount is 55 percent. The median percentage for the maximum discount is 40 percent and the median number of insureds receiving the highest discount is 20.5 percent. Homeowners insurance companies report using one to eight tiers for insurance credit score rating purposes. However, the majority report using three to six tiers in their rating plans.

Credit Rating Vendors and Formulas

Of the insurance companies reporting the identity of their insurance credit scoring model vendor, by far the largest number of both the automobile and homeowners companies use ChoicePoint. Fair Isaac is next, followed by 14 companies using models that they developed.

Each company was asked whether it had performed an actuarial analysis of the correlation between insurance credit scoring and the probability of loss based on the company's actual automobile and homeowners loss statistics. Six automobile insurance companies out of 51, and 5 homeowners companies out of 24, indicated they did not perform the actuarial analysis. The companies not conducting the analysis did not explain how they developed the particular discounts and tiers they use.

When asked to provide the insurance credit scoring formula used to create discounts, 26 of the 51 automobile insurers provided the formula. Twelve homeowners insurance companies out of the 24 provided their formula.

The insurers also were asked to provide their rating protocol for policy applicants and policyholders who do not have a credit history. Thirty-five of the 51 automobile insurers refuse to give a discount if no credit history exists. Of the 24 companies using insurance credit score formulas for homeowners insurance rating purposes, 17 do not give the homeowner a discount if no credit history is available.

Of the insurers responding to the question asking how often they recalculate the insurance credit history score, 17 out of the 51 automobile insurers indicated they recalculated the score on an annual basis. Three companies recalculated the score over a longer time period. Eight homeowners insurance companies recalculate on an annual basis, with one company using an even longer time period.

Base Rates

A base rate (or premium) is the standard rate charged for a standard risk. The actual premium the insured pays is then raised or lowered from the base rate using statutorily allowed surcharges or discounts. For example, an automobile insurer may charge a standard rate of $300 annually for a standard Ford Taurus. However, if the insured has theft prevention devices installed, the company can offer a discount because its actuarial statistics show the safety devices lower the risk of theft for that particular car. The consumer thus will receive a discount off the standard base rate.

Companies analyze their rates by using the total of all premiums received and losses paid. When a company adjusts rates, the impact is referred to as the overall rate change, since the change may affect many different rating classifications. If more than one change is measured over several periods of time (over two, three, or more years), it is referred to as the cumulative change. When a company makes a base rate change, that change only affects the basic rate (one factor). This is why the base rate change may be different than the overall change. Once a base rate is determined, it is multiplied by each additional classification to arrive at the rate for an individual, which then would be the overall rate charged to the individual.

In order to determine if insurance credit scoring or the use of credit history has affected the base rates developed by the insurance companies, a survey question asked the companies to provide the cumulative base rate change they have implemented since they first began using insurance credit scores to rate policies. The average base rate change for automobile insurance was 33 percent, ranging from a high of 224.7 percent increase to a decrease in rates of 12.4 percent. The average base rate change for homeowners insurance was 34 percent, ranging from a high of a 110 percent increase to a low of no change**.**

Another question asked the companies to provide the cumulative overall rate level change since they implemented rates based on the insured's credit history. Cumulative overall rate change measures any and all rate changes over a specified period of time. The overall average rate level change for automobile insurance companies using insurance credit scoring was 13 percent, ranging from a high of 74 percent to a low of no overall change. The overall average rate level change for reporting homeowners insurance companies was 24 percent, with a range from 101 percent to a low of no change.

The average automobile insurance base rate increased cumulatively 33 percent after implementation of insurance credit scoring compared to an average 13 percent overall rate change for the same time period. The average homeowner insurance base rate increase was 34 percent after insurance credit scoring implementation compared to an average overall rate increase of 24 percent for the same period.

The fact that the survey showed that base rates increased more than overall rates indicates that some people received a rate increase after insurance credit scoring discounts were introduced.

Policyholder Information

Insurers were asked in the survey to provide a description of the process policyholders and applicants may use to verify the accuracy of their rate based on their credit history. All automobile insurers responded that they had a process in place for consumers to request information regarding their rates. Twenty homeowners insurance companies provided the information on their process. However, providing a verification process does not mean the insurer provides to the policyholders and applicants the means to verify the accuracy of the credit score, only that they can verify they were put into the correct rating class based on the report the insurer received from the credit scorers.

Insurers also were asked if they indicated on their automobile and homeowners insurance policy declaration pages (the sheet that details the insured's coverages and the cost of the coverage) that a discount was given to the insured based on an insurance credit. However, they were not asked if they displayed the amount of discount on the declaration page or their own annual rating information forms. State law requires that companies annually inform their automobile and homeowner insureds of the factors used to arrive at the premium they pay for their coverage. If identified in the annual rating information form, companies were asked for the form, which was reviewed to determine if the form identified insurance credit scoring as a rating category. Only 17 automobile insurers and 11 homeowners insurers provide this information on their declaration pages. Only 18 of the automobile insurers and seven homeowners insurers provided the information regarding their annual rating information form. Insurance companies are required under Section 2112 of the Code, MCL 500.2112, to notify their insureds on an annual basis of the factors used to rate their policies. If the companies are using insurance credit scoring to calculate rates, the annual notice should include this information.

Insurers were asked to attach a summary of instructions to their agents on providing quotes for private passenger automobile or homeowners insurance when they use discounts based on insurance credit scoring. Twenty-six automobile companies responded with "yes" to this question, and 11 homeowners insurance companies responded with "yes." The "yes" response identifies those insurers providing instructions to their personnel for obtaining the lowest quote based on the applicant's credit history or insurance score.

Overview of Industry Views on Insurance Credit Scoring

Representatives of six insurance companies and four insurance industry trade associations provided testimony at the public hearings. Also providing testimony were representatives from insurance scoring companies ChoicePoint and Fair Isaac, and two credit reporting agency representatives. Many of the presentations are available electronically on the OFIS web site at: http://www.michigan.gov/cis/1,1607,7-154-10555_12902_15784---,00.html. A number of insurers and trade associations also forwarded written comments.

All testimony and comments received from the industry supported the use of insurance credit scoring, although opinions varied as to specific aspects of the practice.

Comments received include:

- Insurance credit scoring is an extremely valuable tool for predicting risk of loss.
- Insurance credit scoring assists in segmenting and rating risks with more precision.
- Statistics show a strong correlation between insurance credit scores and automobile and homeowner insurance losses. Data has shown a very strong correlation between insurance credit scores and actual loss ratios.
- The use of insurance credit scores allows companies to give better rates to customers less likely to suffer a loss.
- Studies, including the State of Virginia's, show that a correlation between insurance credit scores and expected insurance claims exists across all demographic groups. Lower-income groups do not have disproportionately lower scores than those from higher-income groups.
- Insurance credit scoring should be permitted for risk selection as well as pricing, although it should not be the sole criterion for making decisions to accept, reject, or renew an applicant or current policyholder.
- The use of insurance credit scores has allowed more companies to offer more products to more people, resulting in significantly increased competition and more choice for consumers.

- The Fair Credit Reporting Act provides numerous consumer protections, including the right to obtain a free copy of a credit history if an insured is adversely affected by credit information, and the right to dispute incorrect or incomplete information.
- The use of insurance credit scores allows for objective, impartial, consistent, and accurate underwriting and/or pricing.
- The majority of policyholders receive a discount based on their insurance credit score. Restricting its use would result in rate increases for many consumers.
- Insurance credit scores are based on information from consumer credit reports and do not include personal characteristics such as age, income, race, address, religion, gender, ethnic group, disability, or marital status.
- Studies have shown that people who manage their financial affairs responsibly also are responsible with other assets such as vehicles and homes.
- Policyholders with high insurance credit scores will subsidize those less responsible if a company cannot offer insurance credit scoring discounts.
- It is to a consumer's benefit that not all companies use the same scoring model, and that some companies choose not to use insurance credit scoring at all. The current situation provides more competition and choice for consumers.
- Credit reports are accurate. Research shows that that the error rate (based on the number of consumers who dispute information) is extremely low.
- Michigan currently has one of the nation's most restrictive insurance credit scoring laws. Insurance companies operating in Michigan cannot use insurance credit scoring for underwriting purposes, although most other states permit it.

Overview of Agents' Views on Insurance Credit Scoring

Eight representatives of either agent associations or individual insurance agencies testified at the public hearings. They provided conflicting testimony, with some agents expressing concern with various aspects of insurance credit scoring and others supporting its use.

In addition to public hearing testimony, OFIS received seven submissions from agents either by letter or by e-mail sent to the OFIS insurance credit scoring web site. All were against the use of insurance credit scoring.

In their letters and e-mails, various issues were raised. Among them were:

- Unfairness: people getting the worst rates are the poor; people who have gone through tough financial times should not be penalized further.
- Ambiguity of process: consumers are not told specifically why they received the insurance credit score they did and what they can do to improve their score. Consumers are told that that the scoring process is proprietary information, and that the insurer only gets the final score. But if the consumer calls the vendor assigning the score, consumers are told to talk to the insurance company.
- The method used often is inaccurate. There is a great difference in a person's score based on the method used to obtain a score.
- This is a way to discriminate against persons.
- It is a difficult concept to explain to consumers; insurers don't explain the process to agents or consumers.

- In their experience, they have not seen that insurance credit scoring is an accurate predictor of loss.
- They have seen rates double and triple since insurance credit scoring went into effect. Insurers talk of discounts but what has happened is that base rates have increased substantially and then discounts are applied if the insured is eligible.
- Insurance credit scoring is not an appropriate concept for mandatory insurance coverage such as automobile insurance.
- Insurance credit scoring should not be allowed at all, but if it is, it needs a defined set of criteria for the industry to use.

<u>Overview of Consumers' Views on Insurance Credit Scoring</u>

Consumers appeared at each of the six public hearings, with the Grand Rapids and Detroit hearings particularly well represented by individual consumers.

In addition to public hearing testimony, OFIS received 69 submissions from individuals in response to our request for comments. Most were received via the insurance credit scoring web site e-mail address, with a few coming in by mail. These submissions were, with very few exceptions, opposed to the use of insurance credit scoring, often in a quite vehement manner. Of the 69 submissions, only 3 supported the use of insurance credit scoring. Supporters focused on rewarding personal responsibility.

Consumers opposed to insurance credit scoring raised several issues, including:

- Unfairness. Instances cited of people who fell into financial difficulty due to situations beyond their control such as medical catastrophes, job loss, divorce, and unpaid child support.
- It penalizes people who can least afford high insurance rates.
- It penalizes people who choose not to borrow or otherwise do not have a credit history.
- It discriminates against lower income people.
- Insurance credit scoring is unrelated to risk involved. There seems no connection between insurance credit score and how likely one is to file a claim. Rates should be based on factors such as claims filed and driving record.
- A poor insurance credit score is received even though credit history is good.
- One is unable to learn exactly why a particular score was assigned, and what could be done to improve it.
- Rates have gone up substantially due to insurance credit scoring.
- The practice will cause people to drive without insurance since they cannot afford the increased cost of insurance. It should not be allowed for mandatory coverage such as automobile insurance.
- It is difficult to correct credit history errors.
- The score should not go up if credit inquiries are made, such as shopping for a mortgage or a car loan.
- Insurance credit scoring is considered an invasion of privacy.

<u>Overview of Other Interested Parties' Views on Insurance Credit Scoring</u>

Currently, there are four bills pending in the Michigan Legislature that would amend Section 2110a of the Insurance Code, MCL 500.2110a, to prohibit discount plans based on credit history, lack of credit history or insurance credit score for automobile and homeowners insurance policies. Primary sponsor Representative David Woodward and 11 co-sponsors introduced House Bill 5882 on April 11, 2002. Primary sponsor Senator Burton Leland and 13 co-sponsors introduced Senate Bill 1227 on April 16, 2002. Primary sponsor Representative LeMar Lemmons III and 8 co-sponsors introduced House Bill 6240 on July 3, 2002. Senator Valde Garcia introduced Senate Bill 1407 on September 17, 2002. In addition to prohibiting discounts based on credit history, Senate Bill 1407 would make a violation of Section 2110a an unfair method of competition.

State Representatives Dave Woodward and Artina Tinsley Hardman testified at public hearings against the use of insurance credit scoring, and Detroit City Councilwoman Alberta Tinsley-Talabi presented a Detroit City Council resolution opposing the use of insurance credit scoring. Two assistant Attorneys General testified against the use of insurance credit scoring, as did representatives of the following consumer groups: Fair Housing Center of Greater Grand Rapids, Public Interest Research Group in Michigan, and the Center for Economic Justice.

<u>Compliance with the Insurance Code</u>

<u>Authorization</u>

For automobile and homeowners coverage under Essential Insurance, insurers base discounts upon insurance credit scoring by authority of Section 2110a of the Code, MCL 500.2110a, which provides:

> If uniformly applied to all its insureds, an insurer may establish and maintain a premium discount plan utilizing factors in addition to those permitted by section 2111 for insurance if the plan is consistent with the purposes of this act and reflects reasonably anticipated reductions in losses or expenses....

There is nothing inherent in the use of insurance credit scoring that precludes its use under this section. However, its implementation by some insurers requires adjustment. Recommendations for administrative actions to achieve these adjustments are set forth at the end of this report.

Some insurers do not uniformly apply their discount plans. They obtain an insurance credit score once and then use it repeatedly for years. This locks some policyholders into high premiums while new policyholders may benefit from positive, recent credit histories. Also, the Code requires insurers to adhere to filed rates, which means they have to apply those rates in accordance with the actual characteristics of each insured at the time of coverage or renewal of coverage.

The title to the Code identifies purposes of Essential Insurance as follows:

> ... to provide for the continued availability and affordability of automobile insurance and homeowners insurance in the state and to facilitate the purchase of that insurance by all residents of the state at fair and reasonable rates.

As discussed previously in this report, insurance credit scoring contributes to the continued availability and affordability of automobile and homeowners insurance. As set forth more fully below, insurance credit scoring discounts are fair from a technical, rate-making perspective and have not been shown to discriminate against persons based on legally protected characteristics, such as race or religion.

The use of insurance credit scoring leads to a reduction in losses from policyholders who are most likely to experience losses. Insurers are better able to identify those policyholders and charge them premiums commensurate with the losses they generate. Moreover, if responsible behavior in general leads to the predictive link between credit histories and insurance losses, as insureds change behavior to obtain better insurance credit scores they may experience fewer losses.

Insurers are authorized to use insurance credit scoring in connection with group automobile insurance under Section 2403(1) of the Code, MCL 500.2403, which provides:

> All rates shall be made in accordance with this section and all of the following:
>
> (a) Due consideration shall be given to past and prospective loss experience within and outside this state; to catastrophe hazards; to a reasonable margin for underwriting profit and contingencies; to dividends, savings, or unabsorbed premium deposits allowed or returned by insurers to their policyholders, members, or subscribers; to past and prospective expenses, both countrywide and those specially applicable to this state; to underwriting practice, judgment, and to all other relevant factors within and outside this state.

Section 2603(1) of the Code, MCL 500.2603, contains the same standard as to group homeowners insurance. Insurance credit scoring gives due consideration to past and prospective loss experience by correlating loss experience within and outside this state to the credit history of the individual.

So long as insurance credit scoring is predictive of losses, the scores are "relevant factors" to take into account in rating. They also avoid being unfairly discriminatory under specific standards contained in the Code and related rules.

<u>Unfair Discrimination</u>

Insurance credit scoring is used in rates filed under Chapter 21 of the Code, MCL 500.2101 to 500.2131 (individual automobile and homeowners insurance), Chapter 24 of the Code, MCL 500.2400 to 500.2484 (group automobile insurance), and Chapter 26 of the Code, MCL 500.2600 to 500.2674 (group homeowners insurance and personal lines covering mobile homes, rental properties, recreational vehicles, motorcycles, and boats). Each chapter proscribes rates that are unfairly discriminatory.

As seen in Sections 2109(1)(c), 2403(1)(d), and 2603(1)(d) of the Code, MCL 500.2109, 500.2403, and 500.2603, the standards for "unfairly discriminatory" are the same verbatim:

> A rate for a coverage is unfairly discriminatory in relation to another rate for the same coverage if the differential between the rates is not reasonably justified by differences

> in losses, expenses, or both, or by differences in the uncertainty of loss, for the individuals or risks to which the rates apply. A reasonable justification shall be supported by a reasonable classification system; by sound actuarial principles when applicable; and by actual and credible loss and expense statistics or, in the case of new coverages and classifications, by reasonably anticipated loss and expense experience….

These statutory requirements are clarified and expanded upon by parallel rules for each chapter at 1979 ACS 2, R 500.1201 *et seq*., 1979 ACS 2, R 500.1301 *et seq*., 1979 ACS 8, R 500.1501 *et seq*. Key concepts are defined, such as "classification." Standards are established for "reasonable classification system," "sound actuarial principles," "sampling techniques," and "actual and credible loss statistics." Overall, the rules are designed to ensure that sound statistical procedures and methodologies are used so that correlations established between rating factors and losses and expenses are reliable.

While Fair Isaac treats its formulas as trade secrets, ChoicePoint is open with its formulas. It submitted them for inspection by OFIS and spent hours with the staff explaining their origin, use, and reliability. The information developed shows that rate differentials based upon ChoicePoint formulas--where the insurer properly groups insurance credit scores--are reasonably justified by differences in losses.

Most rating tiers used by insurers have been established or examined by actuaries. As a result, with few exceptions, such as where one company has 46 rating tiers, there is reason to believe that companies are properly establishing those tiers. However, as will be seen below, all formulas relied upon by insurers and underlying support for rating tiers should be filed with OFIS, at which time the formulas and rating tiers will be subject to additional scrutiny by OFIS staff and the public.

While a rating system may be technically correct from a statistical standpoint, it may still be unfairly discriminatory if it is based upon protected characteristics, such as race, color, creed, or national origin. Additionally, Section 2111(4) of the Code provides:

> An insurer shall not establish or maintain rates or rating classifications for automobile insurance based upon sex or marital status.

An insurer that used insurance credit scoring to intentionally and directly discriminate against persons on the basis of those characteristics would be subject to a compliance action. Concern has been expressed, however, that the use of insurance credit scoring may have a negative impact on minorities, the poor, and the young. There are conflicting studies on this impact.

This important issue has yet to receive definitive treatment by any state or national governmental agency, or by a private, non-insurance industry associated organization. The efforts of this study have revealed no evidence of bias or illegal impact based upon constitutionality or statutorily protected criteria such as race or ethnicity, nor is there evidence of an inappropriate bias based upon geographic location of the insured. For insurance credit scoring to receive full acceptance, the issue of whether impermissible bias exists will require continuing review in Michigan and nationally.

Rate Filing Requirements

While ChoicePoint submitted its formulas to the Commissioner as part of the public hearing process, no insurer has filed the formulas it is using with its rate filings. Companies justify this practice as an appropriate protection of a trade secret. This practice is incompatible with Code requirements.

Section 2108 of the Code, MCL 500.2108, which governs rate filings under the EIA, states as follows:

> (1) On the effective date thereof, each insurer shall file with the commissioner every manual of classification, every manual of rules and rates, every rating plan, and every modification of a manual of classification, manual of rules and rates, or a rating plan which it proposes to use for automobile insurance and home insurance. Each filing shall state the character and extent of the coverage contemplated. Each insurer subject to this chapter who maintains rates in any part of this state shall at all times maintain rates in effect for all eligible persons meeting the underwriting criteria of the insurer.
>
> * * *
>
> (4) Each filing shall include information that supports the filing with respect to the requirements of section 2109. The information may include 1 or more of the following:
>
> (a) The experience or judgment of the insurer or rating organization making the filing.
>
> (b) The interpretation of the insurer or rating organization of any statistical data it relies upon.
>
> (c) The experience of other insurers or rating organizations.
>
> (d) Any other relevant information.
>
> * * *

The same requirements apply to group automobile insurance filings under Section 2406 of Code, MCL 500.2406, and group homeowners insurance filings under 2606 of the Code, MCL 500.2606.

Insurers use insurance credit scoring formulas in the classification of their policyholders. Those formulas are part of their classification systems and are a required part of their rate filings. If they were not an intrinsic part of the filings, they would have to be included with the rate filings as information supporting the filings.

Rate Filings are Public Documents

One of the major insurance credit scoring companies, Fair Isaac, asserts that its credit scoring formulas are trade secrets in which it has a proprietary interest. Insurers who purchase its services apparently either do not have access to the formulas themselves or, if they do, agree to treat them confidentiality.

As seen above, if an insurer chooses to use insurance credit scoring as a rating classification, it is required to file the factors and formulas upon which the classification is based. Under Michigan law, insurance purchasers are entitled to know how their premiums are determined. There is no room for a "black box" in the calculation of premiums.

No assertion of propriety interest may stand in the way of a citizen in Michigan having full access to rate filings. This is found in the Code itself, the Freedom of Information Act, a related Attorney General opinion and, significantly, a Michigan appellate court opinion that decided this matter in the context of a Blue Cross and Blue Shield of Michigan rate filing.

Section 2108(5) of the Code, MCL 500.2108, which governs Essential Insurance filings, provides as follows, "A filing and any accompanying information shall be open to public inspection upon filing." Both Sections 2406 and 2606 of the Code, MCL 500.2406 and 500.2606, which govern group automobile and homeowners rate filings, state, "A filing and any supporting information shall be open to public inspection after the filing becomes effective."

These provisions are in harmony with the general openness of records in this agency as established in Section 234(1) of the Code, MCL 500.234:

> The office of the insurance department is a public office and the records, books, and papers thereof on file therein shall be public records, accessible to the inspection of the public, except as the commissioner, for good reason, may decide otherwise, or except as may be otherwise provided under this code.

The provisions also are consistent with Section 13(1)(f) of the Freedom of Information Act, 1976 PA 442, MCL 15.243, which denies protection to trade secrets when they are submitted as required by law, with OAG, 1997-1998, No 6965, p 93 (January 16, 1998), which found that the Commissioner is required to provide copies of copyrighted filings, and with *BCBSM v Insurance Bureau*, 104 Mich App 113 (1981), which concluded that a merit rating formula that was part of a Blue Cross and Blue Shield of Michigan rate filing would be accessible to the public even if it were a trade secret.

Because insurance credit scoring discount formulas are part of a rate filing, the law requires that insurers file the formulas with OFIS. Upon their doing so, they will become public documents. It would take an act of the Legislature to make insurance credit scoring formulas confidential when included in a rate filing. This is inadvisable, as it would conflict with the needs of policyholders to understand and verify the premiums that are charged to them.

Policyholders and Rate Information

The Legislature has steadfastly protected the interests of policyholders so that they may calculate and confirm the accuracy of premiums. Under Essential Insurance, insurers are required to periodically provide descriptions of classifications and explanations to answer this need. Section 2112 of the Code, MCL 500.2112, provides:

> At least annually, in conjunction with a renewal notice, a bill, or other notice of payment due issued to a policyholder in conjunction with automobile and home insurance contracts, an insurer shall send to each policyholder a written notice of all of the following:

(a) A description of the specific rating classifications by which the rates and premiums for the policy have been determined. The notice shall be of sufficient detail and clarity so that the policyholder can reasonably verify the applicability and accuracy of the rating classifications.

(b) A general explanation of the extent to which rates or premiums vary among insureds on the basis of the rating classifications used by the insurer.

(c) Sources and reasonable procedures by which the individual can obtain from the insurer additional information sufficient for the individual to calculate and confirm the accuracy of his or her specific premium.

(d) Relevant information regarding the rights of an insured, under sections 2113 and 2114, to appeal the application of the insurer's rating plan in determining his or her premium, to obtain documentation from the insurer regarding the determination of the rate, to appeal the application of the insurer's underwriting rules to the person, to request an informal conference with the insurer, and to file with the commissioner a complaint as an aggrieved person.

(e) A description of all of the insurer's underwriting rules based upon insurance eligibility points and a description of all of the underwriting rules of the insurer's affiliates based upon insurance eligibility points.

(f) A suggestion that the insured contact his or her agent to determine if he or she is eligible for insurance from an affiliate of the insurer or under a different rating plan of the insurer which would provide to the insured insurance at a more favorable premium.

Without access to the rating formula, an insured cannot calculate and confirm the accuracy of his or her specific premium. The insured cannot know what information in a credit report the formula draws upon. The insured cannot know if the formula is applied accurately to that information.

In general, insurers have not been supplying sufficient information to policyholders respecting insurance credit scoring formulas to comply with the requirements of Section 2112. This is necessarily true of those using insurance credit scoring formulas that are treated as trade secrets. Similar problems arise under other Code sections that require insurers to supply information to their policyholders, including Sections 2021, 2458, and 2652, MCL 500.2021, 500.2458, and 500.2652.

Findings and Observations

From a legal perspective, using credit history information as classification criteria for rating purposes is within the scope of Michigan insurance laws and the Fair Credit Reporting Act. This provides insurers with many possibilities for developing classifications. However, they cannot use any classification in a manner that is inconsistent with the purposes and requirements of Michigan law governing eligibility and rating for specific types of insurance.

Thus, the use of credit history information as a classification must meet the same criteria that any other classification rating factor must meet under Chapters 21, 24, and 26 of the Code. This requires that insurance be available and affordable to all consumers in Michigan who have been identified as eligible for insurance under the Act. An insurer meets the purposes and requirements of each chapter, pursuant to MCL 500.2109(1)(c), 500.2403(1)(d), and 500.2603(1)(d), when rates charged do not make coverage unavailable to any of these consumers based on its filing of:

1. Objective and uniform classifications which show that two or more risks with the same characteristics will be charged the same rates for the classifications that apply.
2. Rate differentials among filed classifications that are justified by substantially similar loss ratio and/or expense ratio histories and future expectations as measured by actual and credible loss and expense statistics.

Current insurance credit scoring classifications violate the statutory requirements identified above because filed programs do not include sufficient information to show objective and uniform classifications and justified rate differentials. Also, insurers have not shown in their filings that they are meeting their MCL 500.2110a responsibility to use discount classifications that identify reasonably anticipated reductions in losses or expenses. After several years of use, insurance company data must verify this expectation when compared to other classifications utilized. Failing to review credit history data at each renewal or within some reasonable time period violates Section 2110a, 2109(1)(c), 2403(1)(d), and 2603(1)(d) because insurers will not know which policyholders should be placed in another classification that is more representative of the loss or expense level for similar risks.

In addition, insurers are not meeting their responsibilities to provide policyholders with all information pertinent to the rate charged pursuant to MCL 500.2113, 2458, and 2658. Many insurers are referring policyholders to insurance credit scoring bureaus and vendors who cannot describe eligibility and rating decisions made by insurers and who cannot tell whether changes made to a policyholder's credit history will result in a better insurance credit scoring classification rate. Regardless of the subcontractors utilized, each insurer has the responsibility to ensure that insurance credit scoring formula criteria, as well as rating classification and eligibility decisions, are clearly described, explained to each policyholder, and are contained within its manual filed with OFIS.

Finally, many insurers are not meeting their MCL 500.2116 responsibility to provide the lowest possible rate for the coverages selected by the applicant because they do not provide a premium quote based upon the applicant's actual insurance credit score. Many insurers are not meeting their Fair Credit Reporting Act responsibility to identify when an adverse action has been taken against a person, such as providing other than the lowest insurance credit scoring discount.

There exists a correlation between a person's insurance credit score and the likelihood that a claim will be filed. A thorough review of material submitted by ChoicePoint and by a number of companies demonstrates that better scores are connected to fewer claims and thus lower expenses than are the scores of persons with weaker credit histories.

An issue raised repeatedly during the public hearings and by the comments of citizens is that of causation. It is natural to ask why the predictive correlation exists between insurance credit scores and the likelihood of loss. This study cannot answer the question of why the link exists. Significantly, no study undertaken by any group or regulator has found the reason why properly formulated insurance credit scores can predict loss. As recently as November 2002 a subcommittee of the American Academy of Actuaries reached this conclusion in a report prepared for the National Association of Insurance Commissioners.

The absence of causation, however, does not invalidate the use of the insurance credit scoring under Michigan law. Causation is not required by law, by actuarial standard, or by accounting standards for a rating classification to be used. That the classification is legal and appropriately predictive is the issue. On these two points, insurance credit scoring passes muster in Michigan.

Another issue raised repeatedly is the possibility that insurance credit scoring inappropriately impacts individuals based on factors such as race, ethnicity, economic status, or other factors. There is no evidence that insurance companies are using legally impermissible and morally repugnant factors, such as race, in their scoring formulas. Indeed, evidence was submitted during the course of the study to indicate that persons of relatively lower socio-economic standing had better insurance credit scores, on average, than those of higher socio-economic standing. No study conducted, including this one, has concluded that insurance credit scoring has an inappropriately or illegally disparate impact based on immutable personal characteristics or other factors, such as income level or location of residence. The full acceptance of insurance credit scoring likely will await more definitive studies performed to the highest standards by persons with no economic interests in the business of insurance.

The survey data indicates that statutory changes made to insurance credit scoring practices through revision of the Essential Insurance Act provision regarding non-group automobile and homeowners insurance would have the greatest impact on consumers at the present time. Group automobile and homeowners insurance represents a substantial and growing part of the marketplace. In addition, the personal lines insurance for recreational vehicles, mobile homes, dwelling fire, personal umbrella, and commercial lines insurance sold to partnerships and sole proprietors (commercial auto, workers comp, commercial property, etc.) are substantial parts of the market. The fact that the Essential Insurance Act does not govern eligibility rules and rating classifications for these types of coverages is troublesome for the use of insurance credit scoring because insurers are using insurance credit scoring in some of these programs to deny or surcharge coverage. Availability and affordability of these types of coverage may become a critical issue for consumers and the legislature if these practices increase.

The survey data also reveals that the majority of the companies using insurance credit scoring penalize those policyholders who have not used credit (obtained loans or payment plans), and therefore do not develop a credit history, by placing them either at the base rate without an insurance credit scoring discount or in a higher rated tier (representative of high risk of loss) even though their loss ratio statistics as a group may not warrant such a placement. Policyholders most likely to fall in this category are the young, those of college age, senior citizens, lower income individuals, or those who pay all their bills in full and on time by cash, check, or money order. Although other discounts may be available to them, they do not receive the benefit of what the insurance credit scoring classification attempts to measure: being a responsible person who conducts financial affairs in an exemplary manner. Being rated in the same classification as those who have bad credit histories unfairly penalizes them unless loss experience justifies such placement within a company's tier system.

The majority of insurers surveyed do not review the credit history again once the original determination is made, unless asked to do so by the consumer. This practice locks some consumers into higher rated classifications when their initial credit history is not the best, even though they may have improved their credit rating in more recent years. Insurers unwillingness to regularly review a policyholder's credit history unfairly penalizes individuals who are actively trying to improve their credit history and responsibility.

Survey data indicates that insurance credit scoring has had an adverse impact on the standard base rate because insurers have greatly increased their base rate to compensate, at least in part, for the discounts being given to their policyholders.

Survey data also indicates that insurers do not provide applicants and policyholders with adequate insurance credit scoring classification rating information. Nor do many insurers provide an adequate explanation of what they must do to help the policyholder obtain the correct classification rate, which can only happen when erroneous credit history information is corrected. This creates unfairness in rating systems and classifications no matter the type of insurance.

Insurance credit scoring or the use of credit history to develop rates for automobile, homeowners, and other types of insurance has had and will continue to have a major impact on a large part of the Michigan insurance market. Additional studies, rigorous in design and execution and disinterested in sponsorship, are needed to fully assess the impact of the use of insurance credit scoring on the public generally and on specific groups of citizens.

Recommendations

This study finds that Michigan law permits a discount based on insurance credit scoring. However, a significant number of concerns have arisen during this process about the variety of ways that insurance credit scoring is used; the wide range of discounts that may be attributed to the use of insurance credit scoring; and to the lack of adequate, detailed information that is made readily available to consumers that allows them to determine if their insurance credit score and resulting insurance premium is accurate. These significant and legitimate concerns must be addressed to adequately protect the rights of Michigan consumers under the Insurance Code.

The following recommendations are of two types. Administrative Recommendations present action that is available to the commissioner under current law. These recommendations will be implemented over the coming weeks through appropriate directives issued to the insurance industry conducting business in Michigan. Through these recommendations, companies will be required to continue to comply with statutory provisions for the use of an insurance credit scoring discount. Other concerns are beyond the statutory authority of the commissioner to remedy and will require action by the Michigan Legislature. The Legislative Recommendations are respectively submitted for the consideration of legislators in their policy deliberations.

Administrative Recommendations

1. Any company using an insurance credit scoring discount must file with OFIS the formula used to apply the discount. Filing must occur by July 1, 2003 for any new coverage or the renewal of coverage effective on or after that date. Formulas filed with OFIS will be available for public inspection pursuant to the Michigan Freedom of Information Act.

2. Companies must file with OFIS the specific credit classification factors used to calculate the insurance credit score. Filing of the factors must occur on or before July 1, 2003 in their rate manual. Re-filing of the credit classification factors must occur whenever the

company adds, modifies, or deletes a factor used to calculate the insurance credit score. These factors will be available for public inspection pursuant to the Michigan Freedom of Information Act.

3. Companies using an insurance credit scoring discount must recalculate and then apply an insured's insurance credit score at least once annually.

4. Companies using an insurance credit score discount must annually file with OFIS an actuarial certification justifying the discount levels and discount tiers offered by the company. The initial filing of the certification must occur between July 1, 2003, and June 30, 2004.

5. Companies must annually actuarially certify the discount granted to policyholders or applicants with no credit history ("no hits"), or whose credit history does not reveal all the credit factors used by the company's formula ("thin files") to determine the insurance credit score. This certification must occur for any new coverage or renewal coverage effective on or after January 1, 2004.

6. Companies using insurance credit scoring for personal lines insurance other than automobile or homeowners must file their formulas with OFIS. The filing must occur by July 1, 2003 for new and renewal coverage effective on or after that date. This information will be available for public inspection pursuant to the Michigan Freedom of Information Act. Also, companies must file the specific credit classification factors used to determine the insurance credit score by July 1, 2003. Re-filing of the credit classification factors must occur whenever the company adds, modifies, or deletes a factor used to calculate the insurance credit score. This information also will be available for public inspection pursuant to the Michigan Freedom of Information Act.

7. Companies using insurance credit scoring must annually inform their automobile and homeowners policyholders or applicants of the credit score used to apply an insurance credit scoring discount, and the discount tier in which the insured or applicant is placed.

8. Companies using insurance credit scoring must recalculate an insurance credit score and apply an appropriate discount if an insured successfully disputes information in his or her credit history.

9. OFIS will issue a bulletin to remind companies of their obligations under Section 615 of the federal Fair Credit Reporting Act to advise their policyholders of adverse actions caused by application of a company's insurance credit score.

<u>Legislative Recommendations</u>

1. Consider prohibiting the practices of denying coverage, canceling coverage, limiting coverage or surcharging insureds or applicants for personal lines of insurance other than automobile or homeowners based on an insurance credit score.

2. Consider amending the laws pertaining to group automobile and homeowners insurance to prohibit the surcharging of insureds based on an insurance credit score.

3. Consider requiring insurers to review the credit history of all adults, known to be covered by an automobile or homeowners policy, and then mandate applying an insurance credit discount based on the best numerical credit score reviewed.

4. Consider directing companies on how to apply insurance credit scoring discounts involving the lack of credit history ("no hits") and credit histories revealing fewer than all the factors used by a company to determine its insurance credit score ("thin files").

5. Require notification to consumers that an insurance credit scoring discount is being applied at the time of either an application for coverage or the renewal of coverage.

6. Require companies to give notice to insureds, with specificity, as to why an adverse action in insurance credit scoring action is occurring. This should require disclosing the specific attributes of the credit history that result in the adverse action. Although the federal Fair Credit Reporting Act requires this, placing this requirement in Michigan law will empower the commissioner to penalize violations of this provision.

7. Prohibit certain types of credit inquiries from negatively affecting a person's insurance credit score. Inquiries to consider banning from use include, but are not limited to: inquiries relating to insurance coverage; collection accounts with a medical industry code; multiple lender inquiries pertaining to a home mortgage made within 45 days of one another; and multiple lender inquiries from the automobile lending industry made within 45 days of one another.

8. The Legislature may wish to fund a comprehensive study under the direction of the Commissioner of outstanding issues pertaining to credit scoring. Such issues could include why there exists a predictive link between an insurance credit score and the likelihood of loss, and whether insurance credit scoring impermissibly affects persons based on socio-economic or other factors.

9. The Legislature should consider repealing MCL 500.2129, which allows some insurance companies to be exempt from the Essential Insurance Act requirements. Presently, these exempt companies can use insurance credit scoring for both underwriting (denying or canceling coverage) and surcharging because the policyholders of these companies are not afforded these protections under current law.

REFERENCES

1. Essential Insurance in Michigan-An Avoidable Crisis (A Report to the Governor), Insurance Bureau, Michigan Department of Commerce-1977- Page 34

2. Essential Insurance in Michigan-An Avoidable Crisis (A Report to the Governor), Insurance Bureau, Michigan Department of Commerce 1977 – Page 1

3. Essential Insurance in Michigan-An Avoidable Crisis (A Report to the Governor), Insurance Bureau, Michigan Department of Commerce 1977 – Page 27

4. Essential Insurance (A background paper prepared by the Michigan Insurance Federation) www.mifassoc.org/swpapsearch/bgessen.html

Appendix A

MICHIGAN CREDIT SCORING SURVEY

Company name____NAIC No.___________

Person completing form___________________________________Date______________

Title____Phone_____________________

Email address____

Mailing address____

____

____

1) Do you write the following insurance coverage? Please provide the percentage of both group and non-group premium.

    i) Non-group Homeowners? Yes _____ No _____ %_____
    ii) Group Homeowners? Yes _____ No _____ %_____
    iii) Non-group Private Passenger Automobile? Yes _____ No _____ %_____
    iv) Group Private Passenger Automobile? Yes _____ No _____ %_____

2) Do you utilize an applicant's and/or insured's credit history (credit scoring, insurance scoring, etc.) to determine base rates, surcharges, or discounts for the following insurance coverage?

    i) Homeowners? Yes ______ No ______
    ii) Private Passenger Automobile? Yes ______ No ______

3) For other personal lines (e.g. mobile homeowners, motorcycle, personal umbrella), do you utilize credit history to:

    i) underwrite? Yes_____ No______
    ii) determine rates? Yes_____ No______

4) What is the name of the third party vendor that calculates your credit scores, insurance scores, etc?

    i) Homeowners? __________________________
    ii) Private Passenger Automobile? __________________________

5) What date did you implement rating based on credit history, credit scoring, insurance scoring, etc?

    i) Homeowners? _____/_____/_____
    ii) Private Passenger Automobile? _____/_____/_____
    iii) Other ____________________ _____/_____/_____

6) What is the cumulative base rate change since you implemented rates based on credit history, credit scoring, insurance scoring, etc.? Please use + for increases and – for decreases in front of the percentage.

    i) Homeowners? ________
    ii) Private Passenger Automobile? ________

7) What is the cumulative overall rate level change since you implemented rates based on credit history, credit scoring, insurance scoring, etc.? Please use + for increases and – for decreases in front of the percentage.

   i) Homeowners? ________
   ii) Private Passenger Automobile? ________

8) Please provide the percentage discounts for each credit scoring, insurance scoring, or other means of structuring classification tiers for rating purposes, and the percentage of overall policyholders in each band.

	Discount	% Policyholders
a) Homeowners?	______	____________
Please display the range of discounts from largest to smallest. Add tiers if necessary.	______	____________
	______	____________
	______	____________
	______	____________
b) Private Passenger Auto – largest discount?	______	____________
Please display the range of discounts from largest to smallest. Add tiers if necessary.	______	____________
	______	____________
	______	____________
	______	____________

9) Do you re-calculate the credit history, credit scoring, insurance scoring, etc., for each renewal period for all private passenger and homeowner insureds?

   Yes_____No_____

10) Has an actuarial analysis been performed concerning the correlation between credit history, credit scoring, insurance scoring, etc. and the probability of loss based on your company's actual homeowners and private passenger automobile loss statistics?

   Yes_____No_____

   If yes, please attach.

11) Please attach the scoring formula(s) for rating based on credit history, credit scoring, insurance scoring, etc. for homeowners and private passenger automobile. Also, please identify the rating protocol for applicants/policyholders that have a lack of credit history to evaluate.

12) Please attach a description of the process a policyholder/applicant may use to verify the accuracy of the rates based on credit history, credit scoring, insurance scoring, etc. for homeowners or private passenger automobile.

13) Please attach a sample declarations page and a copy of your annual (Section 2112) Notice of Rating System for both homeowners and private passenger automobile.

14) Please attach a summary of instructions to your agents on providing quotes for homeowners and/or private passenger auto when using rates based on credit history, credit scoring, insurance scoring, etc. Please also forward instructions regarding the Section 2116(1)(a) requirement that agents provide the lowest quote available from the insurers represented by the agent.

Instructions:

1. Surveys are to be completed on an individual company basis for Michigan business, rather than on a group basis, unless all of the responses for the entire group are the same. If completed on a group basis, write-in “see attached list” in the space for company name, then attach a list of insurance company names and NAIC numbers, together with a statement confirming that all survey answers are the same for all the companies listed.
2. If the company does not have exact information on hand, please provide your best estimate. For example, if you do not maintain statistics on the percentage of homeowners business written on a group vs. individual basis, please provide your best estimate.
3. Some companies use different terminology to refer to similar practices such as credit history, credit scoring, insurance credit scores, or insurance scores. The survey is to be completed in regards to an insurance company’s practice that utilizes the credit history of an individual in some manner, regardless of what terminology is used.
4. Questions should be directed to the Securities and Insurance Offerings Division, either directly to 517-373-0242 or toll-free to 877-999-6442.
5. Please forward completed surveys and enclosures to:

   Office of Financial and Insurance Services
   Securities and Insurance Offerings Division
   P.O. Box 30220
   Lansing, MI 48909

Appendix B

Top Auto Non-Group & Group Averages

Company	Survey Question 1-iii Non-group Auto	Survey Question 1-iv Group Auto
ALLSTATE INSURANCE COMPANY	99.00%	1.00%
AUTO CLUB GROUP INSURANCE COMPANY	0.00%	100.00%
AUTO CLUB INSURANCE ASSOCIATION	100.00%	0.00%
AUTO-OWNERS INSURANCE COMPANY	35.80%	64.20%
CITIZENS INSURANCE COMPANY OF AMERICA	25.00%	75.00%
FARM BUREAU GENERAL INSURANCE COMPANY OF MICHIGAN	99.00%	1.00%
FARMERS INSURANCE EXCHANGE	38.80%	61.20%
HOME-OWNERS INSURANCE COMPANY	20.50%	79.50%
PROGRESSIVE MICHIGAN INSURANCE COMPANY	100.00%	0.00%
STATE FARM MUTUAL AUTOMOBILE INSURANCE COMPANY	100.00%	0.00%
TITAN INSURANCE COMPANY	100.00%	0.00%
AVERAGE	65.28%	34.72%

Top Home Non-Group & Group Averages

Company	Survey Question 1-i Non-group Home	Survey Question 1-ii Group Home
ALLSTATE INDEMNITY COMPANY	99.00%	1.00%
ALLSTATE INSURANCE COMPANY	99.00%	1.00%
AUTO CLUB GROUP INSURANCE COMPANY	37.00%	63.00%
AUTO-OWNERS INSURANCE COMPANY	100.00%	0.00%
CITIZENS INSURANCE COMPANY OF AMERICA	11.00%	89.00%
FARM BUREAU GENERAL INSURANCE COMPANY OF MICHIGAN	100.00%	0.00%
FIRE INSURANCE EXCHANGE	100.00%	0.00%
FRANKENMUTH MUTUAL INSURANCE COMPANY	62.00%	38.00%
HOME-OWNERS INSURANCE COMPANY	43.60%	56.40%
PIONEER STATE MUTUAL INSURANCE COMPANY	76.61%	23.39%
SAFECO INSURANCE COMPANY OF AMERICA	100.00%	0.00%
STATE FARM FIRE AND CASUALTY COMPANY	100.00%	0.00%
AVERAGE	77.35%	22.65%

Company	1-iii Non-Group Auto	1-iv Group Auto	4-ii Auto Vendor	5-ii Auto Date Started	6-ii Auto Cumulative Base Rate Change	7-ii Auto Cumulative Overall Rate Change	8 b (i) Auto Maximum Discount	8 b (ii) % Receiving Auto Maximum Discount
AIU Insurance Company	no	100.00%	Fair Isaac	10/01/97	179.70%	59.50%	52.00%	45.70%
Allied Property & Casualty Insurance Company	no	100.00%	Fair Isaac	09/15/01	0.00%	0.00%	15.00%	15.60%
Allstate Insurance Company	99.00%	1.00%	Internal Model	05/15/00	168.80%	26.60%	37.00%	15.70%
American International Insurance Company	100.00%	no	Fair Isaac	10/01/97	224.70%	74.00%	52.00%	46.40%
Amica Mutual Insurance Company	100.00%	no	Fair Isaac	09/01/00	-12.40%	0.00%	28.00%	27.00%
Auto Club Group Insurance Company	no	100.00%	ChoicePoint	11/01/99	49.00%	3.80%	20.00%	41.60%
Auto Club Insurance Association	100.00%	no	ChoicePoint	11/01/99	0.49%	3.20%	20.00%	40.22%
Citizens Insurance Company of America	25.00%	75.00%	ChoicePoint	08/01/99	14.80%	7.60%	51.00%	
Colonial Penn Insurance Company	100.00%	no	Fair Isaac	07/24/00	7.50%	5.50%	15.00%	16.00%
Farm Bureau General Ins Co of Michigan	99.00%	1.00%	ChoicePoint	07/01/00	12.00%	9.00%	10.00%	22.00%
Farm Bureau Mutual Ins Co of Michigan	99.00%	1.00%	ChoicePoint	07/01/00	1.00%	-8.00%	10.00%	51.00%
Farmers Insurance Exchange	38.80%	61.20%	Fair Isaac	07/01/01	77.00%	40.10%	28.00%	4.40%
Frankenmuth Mutual Insurance Company	47.00%	53.00%	Fair Isaac	05/01/02	0.00%	0.00%	10.00%	45.00%
Fremont Mutual Insurance Company	100.00%	no	Fair Isaac	05/17/99	53.68%	26.55%	35.00%	17.60%
Glens Falls Insurance Company	100.00%	no	Fair Isaac	02/01/99	57.00%	3.50%	69.00%	17.30%
GMAC Insurance Co Online, Inc.	100.00%	no	Internal model	01/05/02	no data	no data	59.00%	45.00%
Great American Insurance Company	88.00%	12.00%	ChoicePoint	08/20/99	5.60%	26.00%	55.00%	62.50%
Harleysville Lake States Insurance Company	56.00%	44.00%	Choicepoint	05/01/02	22.60%	15.80%	18.00%	11.50%
Hartford Accident and Indemnity Company	no	100.00%	Internal model	11/15/97	51.00%	15.70%	64.00%	13.18%
Hartford Casualty Insurance Company	100.00%	no	Internal model	06/01/00	5.20%	3.00%	10.00%	0.00%
Hartford Insurance Company of the Midwest	100.00%	no	Internal model	03/15/99	5.20%	3.00%	10.00%	15.70%
Horace Mann Insurance Company	100.00%	no	Fair Isaac	01/01/02	28.10%	6.10%	23.00%	39.30%
Integon National Insurance Company	100.00%	no	Internal model	10/23/98	16.00%	18.00%	65.00%	9.00%
Liberty Insurance Corporation	21.00%	79.00%	Fair Isaac	11/12/01	4.60%	6.50%	60.80%	4.10%
Liberty Mutual Fire Insurance Company	21.00%	79.00%	Fair Isaac	11/12/01	4.60%	6.50%	60.80%	4.10%
Memberselect Insurance Company	100.00%	no	ChoicePoint	11/01/99	60.00%	1.00%	20.00%	19.28%
Merastar Insurance Company	no	100.00%	ChoicePoint	10/01/00	3.40%	0.90%	15.00%	8.00%
Metropolitan Direct Property and Casualty Ins Co	99.70%	0.30%	Internal Model	04/01/00	n/a	12.10%	33.00%	60.00%
Metropolitan General Insurance Company	100.00%	no	Internal Model	04/01/00	n/a	12.10%	33.00%	60.00%
Metropolitan Group Property and Casualty Ins Co	no	100.00%	Internal Model	04/01/00	n/a	14.00%	33.00%	60.00%
Metropolitan Property and Casualty Ins Co	95.00%	5.00%	Internal Model	04/01/00	n/a	12.10%	33.00%	60.00%
MIC General Insurance Corporation	no	100.00%	ChoicePoint	05/03/00	16.00%	3.20%	70.00%	19.00%
Mid-Century Insurance Company	98.10%	1.90%	Fair Isaac	07/01/01	77.00%	40.10%	28.00%	4.40%

Company	1-iii Non-Group Auto	1-iv Group Auto	4-ii Auto Vendor	5-ii Auto Date Started	6-ii Auto Cumulative Base Rate Change	7-ii Auto Cumulative Overall Rate Change	8 b (i) Auto Maximum Discount	8 b (ii) % Receiving Auto Maximum Discount
Mutual Service Casualty Insurance Company	100.00%	no	Fair Isaac	05/18/99	69.10%	9.90%	73.60%	24.60%
National Ben Franklin Insurance Company	no	100.00%	Fair Isaac	02/01/99	57.00%	3.50%	69.00%	17.30%
National General Insurance Company	no	100.00%	ChoicePoint	02/24/01	16.00%	15.50%	70.00%	14.00%
Nationwide Mutual Fire Insurance Company	97.00%	3.00%	ChoicePoint	08/01/02	17.00%	n/a	32.00%	15.00%
Pioneer State Mutual Insurance Company	58.19%	41.81%	Fair Isaac	06/01/00	10.00%	10.00%	7.00%	16.09%
Progressive Michigan Insurance Company	100.00%	no	Internal Model	09/15/97	91.90%	35.21%	64.00%	43.00%
Safeco Insurance Company of Illinois	100.00%	no	ChoicePoint	05/04/00	12.20%	16.70%	35.00%	12.90%
Secura Insurance, A Mutual Company	36.00%	64.00%	ChoicePoint	05/14/02	6.10%	6.10%	10.00%	19.60%
Southern Michigan Insurance Company	34.00%	66.00%	ChoicePoint	11/01/98	11.90%	30.27%	45.00%	5.00%
Standard Fire Insurance Company	100.00%	no	Internal model	06/20/99	0.00%	0.00%	30.00%	9.00%
State Automobile Mutual Insurance Company	82.00%	18.00%	Fair Isaac	07/01/00	3.80%	4.50%	30.00%	71.10%
Teachers Insurance Company	no	100.00%	Fair Isaac	01/01/02	19.90%	3.70%	23.00%	39.30%
Titan Indemnity Company	no	100.00%	Fair Isaac	03/06/00	3.60%	3.50%	30.00%	13.00%
Travelers Indemnity Company of America	no	100.00%	Internal model	06/20/99	0.00%	0.00%	30.00%	21.00%
Trumbull Insurance Company	100.00%	no	Internal model	11/16/98	47.74%	24.80%	72.60%	0.32%
West American Insurance Company	94.60%	5.40%	ChoicePoint	10/01/01	0.00%	0.00%	44.00%	13.00%
Westfield Insurance Company	100.00%	no	ChoicePoint	04/19/01	29.70%	10.60%	39.00%	27.28%
Wolverine Mutual Insurance Company	100.00%	no	Fair Isaac & ChoicePoint	02/01/02	12.00%	12.00%	15.00%	31.36%

Company	8 b (iii) Auto # Tiers	9 Recalculate Credit History	10 Actuarial Analysis	11 b i Auto Formula Supplied	11 b ii Auto No Score No Discount	12 b Auto Rate Process Description	13 (b) i Auto Dec Shows Discount	13 (b) ii Auto Notice Describes Credit Score	14 b Auto Low Quote Instructions Given
AIU Insurance Company	5	no (annual)	yes	no	yes	yes	yes	no	no
Allied Property & Casualty Insurance Company	4	yes (biannual)	yes	no	yes	yes	no	no	no
Allstate Insurance Company	6	no	yes	no	yes	yes	yes	yes	no
American International Insurance Company	5	no (annual)	yes	no	yes	yes	no	no	no
Amica Mutual Insurance Company	4	yes	yes	no	no	yes	no	yes	no
Auto Club Group Insurance Company	6	yes	yes	yes	no	yes	no	yes	yes
Auto Club Insurance Association	6	yes	yes	yes	no	yes	no	yes	yes
Citizens Insurance Company of America	8	yes	no	yes	yes	yes	yes	yes	no
Colonial Penn Insurance Company	4	no (3 years)	yes	no	yes	yes	no	yes	yes
Farm Bureau General Ins Co of Michigan	2	no	yes	yes	yes	yes	no	no	no
Farm Bureau Mutual Ins Co of Michigan	2	no	yes	yes	yes	yes	no	no	no
Farmers Insurance Exchange	5	no	yes	no	yes	yes	no	yes	no
Frankenmuth Mutual Insurance Company	3	yes	yes	no	no	yes	yes	yes	yes
Fremont Mutual Insurance Company	4	no	no	no	no	yes	yes	yes	no
Glens Falls Insurance Company	8	no	yes	no	no	yes	yes	no	no
GMAC Insurance Co Online, Inc.	10	no	yes	no	no	yes	no	no	no
Great American Insurance Company	5	no	yes	no	yes	yes	no	no	yes
Harleysville Lake States Insurance Company	6	yes	yes	yes	yes	yes	yes	yes	yes
Hartford Accident and Indemnity Company	17	no	yes	yes	yes	yes	no	no	yes
Hartford Casualty Insurance Company	2	no	yes	yes	yes	yes	no	no	yes
Hartford Insurance Company of the Midwest	2	no	yes	yes	yes	yes	no	no	yes
Horace Mann Insurance Company	8	no	yes	no	yes	yes	yes	no	yes
Integon National Insurance Company	10	no	yes	no	yes	yes	no	yes	yes
Liberty Insurance Corporation	9	no	yes	no	no	yes	no	no	yes
Liberty Mutual Fire Insurance Company	9	no	yes	no	no	yes	no	no	yes
Memberselect Insurance Company	6	yes	yes	yes	no	yes	no	yes	yes
Merastar Insurance Company	3	no (3 years)	no	no	yes	yes	no	no	yes
Metropolitan Direct Property and Casualty Ins Co	4	yes	yes	yes	yes	yes	no	no	no
Metropolitan General Insurance Company	4	yes	yes	yes	yes	yes	no	no	no
Metropolitan Group Property and Casualty Ins Co	4	yes	yes	yes	yes	yes	no	no	no
Metropolitan Property and Casualty Ins Co	4	yes	yes	yes	yes	yes	no	no	no
MIC General Insurance Corporation	10	no	yes	yes	yes	yes	no	no	no
Mid-Century Insurance Company	5	no	yes	no	yes	yes	no	yes	no

Company	8 b (iii) Auto # Tiers	9 Recalculate Credit History	10 Actuarial Analysis	11 b i Auto Formula Supplied	11 b ii Auto No Score No Discount	12 b Auto Rate Process Description	13 (b) i Auto Dec Shows Discount	13 (b) ii Auto Notice Describes Credit Score	14 b Auto Low Quote Instructions Given
Mutual Service Casualty Insurance Company	7	no	yes	no	yes	yes	yes	no	yes
National Ben Franklin Insurance Company	8	no	yes	no	no	yes	yes	no	no
National General Insurance Company	10	no	yes	yes	yes	yes	no	no	no
Nationwide Mutual Fire Insurance Company	5	yes	yes	yes	yes	yes	no	no	no
Pioneer State Mutual Insurance Company	1	no	no	no	yes	no	yes	no	no
Progressive Michigan Insurance Company	4	yes (annual)	yes	yes	yes	yes	yes	yes	yes
Safeco Insurance Company of Illinois	8	no	yes	yes	no	yes	yes	yes	yes
Secura Insurance, A Mutual Company	3	yes	yes	yes	yes	yes	no	no	yes
Southern Michigan Insurance Company	5	no	no	yes	no	yes	no	yes	yes
Standard Fire Insurance Company	4	yes	yes	yes	no	no	no	no	yes
State Automobile Mutual Insurance Company	3	no	yes	no	yes	no	yes	no	no
Teachers Insurance Company	8	no	yes	no	yes	yes	yes	no	yes
Titan Indemnity Company	3	no	yes	no	yes	yes	no	yes	yes
Travelers Indemnity Company of America	4	yes	yes	yes	no	no	no	no	yes
Trumbull Insurance Company	46	no	yes	yes	yes	yes	no	no	no
West American Insurance Company	8	no	yes	yes	yes	yes	no	no	no
Westfield Insurance Company	5	no (5&10yrs)	yes	yes	no	yes	yes	yes	yes
Wolverine Mutual Insurance Company	3	no (annual)	no	no	yes	yes	yes	na	yes

Company	1-i Non-Group Home	1-ii Group Home	4-i Home Vendor	5-i Home Date Started	6-i Home Cumulative Base Rate Change
Allstate Indemnity Company	99.00%	1.00%	Internal Model	02/04/02	0.00%
Allstate Insurance Company	99.00%	1.00%	Internal Model	11/27/00	109.70%
American Fire and Casualty Company	97.70%	2.30%	ChoicePoint	10/01/01	0.00%
Auto Club Group Insurance Company	37.00%	63.00%	ChoicePoint	12/01/00	41.00%
Automobile Insurance Company of Hartford, Connecticut	100.00%	no	Fair Isaac	11/12/99	48.50%
Frankenmuth Mutual Insurance Company	62.00%	38.00%	Fair Isaac	01/1/2002(new)	15.00%
Fremont Mutual Insurance Company	59.50%	40.50%	Fair Isaac	11/10/99	55.92%
Glens Falls Insurance Company	100.00%	no	Fair Isaac	05/01/01	102.40%
Harleysville Lake States Insurance Company	79.00%	21.00%	Choicepoint	07/01/02	5.30%
Horace Mann Insurance Company	88.00%	12.00%	Fair Isaac	07/15/01	29.00%
Metropolitan Group Property and Casualty Ins Co	no	100.00%	Internal Model	n/a	n/a
Metropolitan Property and Casualty Ins Co	73.00%	27.00%	Internal Model	n/a	n/a
Michigan Millers Mutual Insurance Company	69.00%	31.00%	Choicepoint	08/01/01	19.80%
National Ben Franklin Insurance Company	no	100.00%	Fair Isaac	05/01/01	102.40%
Ohio Casualty Insurance Company	97.70%	2.30%	ChoicePoint	10/01/01	0.00%
Pioneer State Mutual Insurance Company	76.61%	23.39%	Fair Isaac	06/01/00	13.00%
Safeco Insurance Company of America	100.00%	no	ChoicePoint	05/24/00	58.00%
Secura Insurance, A Mutual Company	100.00%	no	ChoicePoint	05/14/02	25.30%
Southern Michigan Insurance Company	100.00%	no	ChoicePoint	04/01/02	0.00%
State Automobile Mutual Insurance Company	93.00%	7.00%	Fair Isaac	07/01/01	3.30%
Travelers Indemnity Company of America	no	100.00%	Internal Model	11/12/99	48.50%
West American Insurance Company	97.70%	2.30%	ChoicePoint	10/01/01	0.00%
Westfield Insurance Company	100.00%	no	ChoicePoint	04/19/01	48.80%
Wolverine Mutual Insurance Company	100.00%	no	Fair Isaac & ChoicePoint	02/01/02	21.00%

Company	7-i Home Cumulative Overall Rate Change	8 a (i) Home Maximum Discount	8 a (ii) % Receiving Home Maximum Discount	8 a (iii) Home # Tiers	9 Recalculate Credit History	10 Actuarial Analysis
Allstate Indemnity Company	0.00%	55.00%	17.00%	5	no	yes
Allstate Insurance Company	101.30%	50.00%	21.60%	5	no	yes
American Fire and Casualty Company	0.00%	55.00%	15.00%	8	no	yes
Auto Club Group Insurance Company	50.10%	8.00%	44.22%	6	yes	yes
Automobile Insurance Company of Hartford, Connecticut	57.00%	40.00%	20.00%	4	yes	yes
Frankenmuth Mutual Insurance Company	10.48%	20.00%	49.00%	4	yes	yes
Fremont Mutual Insurance Company	24.45%	25.00%	51.00%	4	no	no
Glens Falls Insurance Company	47.90%	60.00%	21.00%	5	no	yes
Harleysville Lake States Insurance Company	0.00%	12.00%	12.00%	5	yes	yes
Horace Mann Insurance Company	14.80%	24.00%	18.40%	5	no	yes
Metropolitan Group Property and Casualty Ins Co	n/a	n/a	n/a	n/a	yes	yes
Metropolitan Property and Casualty Ins Co	14.60%	n/a	n/a	n/a	yes	yes
Michigan Millers Mutual Insurance Company	19.80%	10.00%	87.00%	1	no	no
National Ben Franklin Insurance Company	47.90%	60.00%	21.00%	5	no	yes
Ohio Casualty Insurance Company	0.00%	55.00%	15.00%	8	no	yes
Pioneer State Mutual Insurance Company	13.00%	5.00%	8.76%	1	no	no
Safeco Insurance Company of America	30.50%	40.00%	12.30%	5	no	yes
Secura Insurance, A Mutual Company	25.30%	10.00%	30.70%	3	yes	yes
Southern Michigan Insurance Company	0.00%	43.75%	35.00%	5	no	no
State Automobile Mutual Insurance Company	12.60%	64.00%	22.20%	6	no	yes
Travelers Indemnity Company of America	57.00%	40.00%	16.00%	4	yes	yes
West American Insurance Company	0.00%	55.00%	15.00%	8	no	yes
Westfield Insurance Company	18.70%	48.00%	15.50%	7	no (5&10yrs)	yes
Wolverine Mutual Insurance Company	21.00%	12.00%	34.95%	3	no (annual)	no

Company	11 a i Home Formula Supplied	11 a ii Home No Score No Discount	12 a Home Rate Process Description	13 (a) i Home Dec Shows Discount	13 (a) ii Home Notice Describes Credit Score	14 a Home Low Quote Instructions Given
Allstate Indemnity Company	no	yes	yes	yes	yes	no
Allstate Insurance Company	no	yes	yes	yes	yes	no
American Fire and Casualty Company	yes	yes	yes	no	no	no
Auto Club Group Insurance Company	yes	no	yes	no	yes	yes
Automobile Insurance Company of Hartford, Connecticut	no	yes	no	no	no	yes
Frankenmuth Mutual Insurance Company	no	no	yes	yes	yes	yes
Fremont Mutual Insurance Company	no	no	yes	yes	no	no
Glens Falls Insurance Company	no	no	yes	no	no	no
Harleysville Lake States Insurance Company	yes	yes	yes	yes	yes	yes
Horace Mann Insurance Company	no	yes	yes	no	yes	yes
Metropolitan Group Property and Casualty Ins Co	yes	yes	yes	no	no	no
Metropolitan Property and Casualty Ins Co	yes	yes	yes	no	no	no
Michigan Millers Mutual Insurance Company	yes	yes	yes	yes	no	no
National Ben Franklin Insurance Company	no	no	yes	no	no	no
Ohio Casualty Insurance Company	yes	yes	yes	no	no	no
Pioneer State Mutual Insurance Company	no	yes	no	yes	no	no
Safeco Insurance Company of America	yes	yes	yes	yes	no	yes
Secura Insurance, A Mutual Company	yes	yes	yes	no	no	yes
Southern Michigan Insurance Company	yes	no	yes	no	no	yes
State Automobile Mutual Insurance Company	no	yes	no	yes	no	no
Travelers Indemnity Company of America	no	yes	no	no	no	yes
West American Insurance Company	yes	yes	yes	no	no	no
Westfield Insurance Company	yes	no	yes	yes	yes	yes
Wolverine Mutual Insurance Company	no	yes	yes	yes	na	yes

AEGIS SECURITY INSURANCE COMPANY
AFFILIATED FM INSURANCE COMPANY
ALLSTATE INDEMNITY COMPANY
AMERICAN AND FOREIGN INSURANCE COMPANY
AMERICAN AUTOMOBILE INSURANCE COMPANY
AMERICAN BANKERS INSURANCE COMPANY OF FLORIDA
AMERICAN FAMILY HOME INSURANCE COMPANY
AMERICAN FEDERATION INSURANCE COMPANY
AMERICAN FELLOWSHIP MUTUAL INSURANCE COMPANY
AMERICAN INSURANCE COMPANY, THE
AMERICAN MODERN HOME INSURANCE COMPANY
AMERICAN PHYSICIANS ASSURANCE CORPORATION
AMERICAN PROTECTION INSURANCE COMPANY
AMERICAN SELECT INSURANCE COMPANY
ARGONAUT INSURANCE COMPANY
ARMED FORCES INSURANCE EXCHANGE
ASSOCIATED INDEMNITY CORPORATION
AUTOMOBILE INSURANCE COMPANY OF HARTFORD, CONNECTICUT, THE
**AUTO-OWNERS INSURANCE COMPANY
BADGER MUTUAL INSURANCE COMPANY
BALBOA INSURANCE COMPANY
BITUMINIOUS CASUALTY CORPORATION
BROTHERHOOD MUTUAL INSURANCE COMPANY
BUCKEYE STATE MUTUAL INSURANCE COMPANY, THE
CHUBB INDEMNITY INSURANCE COMPANY
CHURCH INSURANCE COMPANY, THE
CHURCH MUTUAL INSURANCE COMPANY
CINCINNATI INSURANCE COMPANY, THE
COMBINED SPECIALTY INSURANCE COMPANY
DAIRYLAND INSURANCE COMPANY
EMCASCO INSURANCE COMPANY
EMPIRE FIRE AND MARINE INSURANCE COMPANY
EMPLOYERS MUTUAL CASUALTY COMPANY
FARMERS AND MERCHANTS MUTUAL FIRE INSURANCE COMPANY
FARMERS MUTUAL FIRE INSURANCE COMPANY OF BRANCH COUNTY
FARMERS' MUTUAL INSURANCE COMPANY
FEDERAL INSURANCE COMPANY
FEDERATED MUTUAL INSURANCE COMPANY
FIREMAN'S FUND INSURANCE COMPANY
FIREMAN'S FUND INSURANCE COMPANY OF NEBRASKA
FIRST AMERICAN INSURANCE COMPANY
FOREMOST INSURANCE COMPANY GRAND RAPIDS, MICHIGAN
FOUNDERS INSURANCE COMPANY
GEICO INDEMNITY COMPANY
GENERAL INSURANCE COMPANY OF AMERICA
GLOBE INDEMNITY COMPANY
GREAT LAKES CASUALTY INSURANCE COMPANY
GREAT LAKES MUTUAL INSURANCE COMPANY
GREAT NORTHERN INSURANCE COMPANY
GUARANTY NATIONAL INSURANCE COMPANY
GUIDEONE SPECIALTY MUTUAL INSURANCE COMPANY

HAMILTON MUTUAL INSURANCE COMPANY OF CINCINNATI, OHIO (THE)
HASTINGS MUTUAL INSURANCE COMPANY
**HOME-OWNERS INSURANCE COMPANY
INSURANCE COMPANY OF NORTH AMERICA
LUMBERMENS MUTUAL CASUALTY COMPANY
LYNDON PROPERTY INSURANCE COMPANY
MARKEL AMERICAN INSURANCE COMPANY
MEEMIC INSURANCE COMPANY
MERCHANTS MUTUAL INSURANCE COMPANY
MICHIGAN BASIC PROPERTY INS ASSOCIATION
MICHIGAN INSURANCE COMPANY
MICHIGAN MILLERS MUTUAL INSURANCE COMPANY
MODERN SERVICE INSURANCE COMPANY
NATIONAL INTERSTATE INSURANCE COMPANY
NATIONAL SURETY CORPORATION
NORTH POINTE INSURANCE COMPANY
NORTHERN MUTUAL INSURANCE COMPANY
NORTHLAND INSURANCE COMPANY
PACIFIC INDEMNITY COMPANY
PARTNERS MUTUAL INSURANCE COMPANY
PHARMACISTS MUTUAL INSURANCE COMPANY
PRUDENTIAL GENERAL INSURANCE COMPANY
PRUDENTIAL PROPERTY AND CASUALTY INSURANCE COMPANY
REPUBLIC WESTERN INSURANCE COMPANY
ROYAL INDEMNITY COMPANY
ROYAL INSURANCE COMPANY OF AMERICA
SAFECO INSURANCE COMPANY OF AMERICA
SENTRY INSURANCE, A MUTUAL COMPANY
SENTRY SELECT INSURANCE COMPANY
STATE FARM FIRE AND CASUALTY COMPANY
STATE FARM MUTUAL AUTOMOBILE INSURANCE COMPANY
TITAN INSURANCE COMPANY
UNITED SERVICES AUTOMOBILE ASSOCIATION
UNIVERSAL UNDERWRITERS INSURANCE COMPANY
USAA CASUALTY INSURANCE COMPANY
VIGILANT INSURANCE COMPANY
WARNER INSURANCE COMPANY
WESTPORT INSURANCE CORPORATION
YASUDA FIRE & MARINE INSURANCE COMPANY OF AMERICA, THE
YOSEMITE INSURANCE COMPANY

Footnote: **Company began using credit scoring subsequent to 9-30-2002

AEGIS SECURITY INSURANCE COMPANY
AFFILIATED FM INSURANCE COMPANY
AIU INSURANCE COMPANY
ALLIED PROPERTY AND CASUALTY INSURANCE COMPANY
AMERICAN AND FOREIGN INSURANCE COMPANY
AMERICAN AUTOMOBILE INSURANCE COMPANY
AMERICAN BANKERS INSURANCE COMPANY OF FLORIDA
AMERICAN FAMILY HOME INSURANCE COMPANY
AMERICAN FEDERATION INSURANCE COMPANY
AMERICAN FELLOWSHIP MUTUAL INSURANCE COMPANY
AMERICAN INSURANCE COMPANY, THE
AMERICAN INTERNATIONAL INSURANCE COMPANY
AMERICAN MODERN HOME INSURANCE COMPANY
AMERICAN PHYSICIANS ASSURANCE CORPORATION
AMERICAN PROTECTION INSURANCE COMPANY
AMERICAN SELECT INSURANCE COMPANY
AMICA MUTUAL INSURANCE COMPANY
ARGONAUT INSURANCE COMPANY
ARMED FORCES INSURANCE EXCHANGE
ASSOCIATED INDEMNITY CORPORATION
AUTO CLUB INSURANCE ASSOCIATION
**AUTO-OWNERS INSURANCE COMPANY
BADGER MUTUAL INSURANCE COMPANY
BALBOA INSURANCE COMPANY
BITUMINIOUS CASUALTY CORPORATION
BROTHERHOOD MUTUAL INSURANCE COMPANY
BUCKEYE STATE MUTUAL INSURANCE COMPANY, THE
CHUBB INDEMNITY INSURANCE COMPANY
CHURCH INSURANCE COMPANY, THE
CHURCH MUTUAL INSURANCE COMPANY
CINCINNATI INSURANCE COMPANY, THE
CITIZENS INSURANCE COMPANY OF AMERICA
CIVIC PROPERTY AND CASUALTY COMPANY
COLONIAL PENN INSURANCE COMPANY
COMBINED SPECIALTY INSURANCE COMPANY
DAIRYLAND INSURANCE COMPANY
EMCASCO INSURANCE COMPANY
EMPIRE FIRE AND MARINE INSURANCE COMPANY
EMPLOYERS MUTUAL CASUALTY COMPANY
FARM BUREAU GENERAL INSURANCE COMPANY OF MICHIGAN
FARMERS AND MERCHANTS MUTUAL FIRE INSURANCE COMPANY
FARMERS INSURANCE EXCHANGE
FARMERS MUTUAL FIRE INSURANCE COMPANY OF BRANCH COUNTY
FARMERS' MUTUAL INSURANCE COMPANY
FEDERAL INSURANCE COMPANY
FEDERATED MUTUAL INSURANCE COMPANY
FIRE INSURANCE EXCHANGE
FIREMAN'S FUND INSURANCE COMPANY
FIREMAN'S FUND INSURANCE COMPANY OF NEBRASKA
FIRST AMERICAN INSURANCE COMPANY
FOUNDERS INSURANCE COMPANY

GENERAL INSURANCE COMPANY OF AMERICA
GLOBE INDEMNITY COMPANY
GREAT AMERICAN INSURANCE COMPANY
GREAT LAKES CASUALTY INSURANCE COMPANY
GREAT LAKES MUTUAL INSURANCE COMPANY
GREAT NORTHERN INSURANCE COMPANY
GUARANTY NATIONAL INSURANCE COMPANY
GUIDEONE SPECIALTY MUTUAL INSURANCE COMPANY
HAMILTON MUTUAL INSURANCE COMPANY OF CINCINNATI, OHIO (THE)
HARTFORD ACCIDENT AND INDEMNITY COMPANY
HARTFORD CASUALTY INSURANCE COMPANY
HARTFORD INSURANCE COMPANY OF THE MIDWEST
HASTINGS MUTUAL INSURANCE COMPANY
**HOME-OWNERS INSURANCE COMPANY
HOMESITE INSURANCE COMPANY OF THE MIDWEST
INSURANCE COMPANY OF NORTH AMERICA
LIBERTY INSURANCE CORPORATION
LIBERTY MUTUAL FIRE INSURANCE COMPANY
LUMBERMENS MUTUAL CASUALTY COMPANY
LYNDON PROPERTY INSURANCE COMPANY
MARKEL AMERICAN INSURANCE COMPANY
MEEMIC INSURANCE COMPANY
MERASTAR INSURANCE COMPANY
MERCHANTS MUTUAL INSURANCE COMPANY
METROPOLITAN DIRECT PROPERTY AND CASUALTY INSURANCE COMPANY
METROPOLITAN GENERAL INSURANCE COMPANY
MIC GENERAL INSURANCE CORPORATION
MICHIGAN BASIC PROPERTY INS ASSOCIATION
MICHIGAN INSURANCE COMPANY
MID-CENTURY INSURANCE COMPANY
MODERN SERVICE INSURANCE COMPANY
MUTUAL SERVICE CASUALTY INSURANCE COMPANY
NATIONAL GENERAL INSURANCE COMPANY
NATIONAL INTERSTATE INSURANCE COMPANY
NATIONAL SURETY CORPORATION
NATIONWIDE MUTUAL FIRE INSURANCE COMPANY
NEIGHBORHOOD SPIRIT PROPERTY AND CASUALTY COMPANY
NORTHERN MUTUAL INSURANCE COMPANY
NORTHLAND INSURANCE COMPANY
PACIFIC INDEMNITY COMPANY
PARTNERS MUTUAL INSURANCE COMPANY
PHARMACISTS MUTUAL INSURANCE COMPANY
PRUDENTIAL GENERAL INSURANCE COMPANY
PRUDENTIAL PROPERTY AND CASUALTY INSURANCE COMPANY
REPUBLIC WESTERN INSURANCE COMPANY
ROYAL INDEMNITY COMPANY
ROYAL INSURANCE COMPANY OF AMERICA
SENTRY INSURANCE, A MUTUAL COMPANY
SENTRY SELECT INSURANCE COMPANY
STATE FARM FIRE AND CASUALTY COMPANY
STATE FARM MUTUAL AUTOMOBILE INSURANCE COMPANY
TEACHERS INSURANCE COMPANY

TITAN INDEMNITY COMPANY
TITAN INSURANCE COMPANY
UNITED SERVICES AUTOMOBILE ASSOCIATION
UNIVERSAL UNDERWRITERS INSURANCE COMPANY
USAA CASUALTY INSURANCE COMPANY
VIGILANT INSURANCE COMPANY
WESTPORT INSURANCE CORPORATION
YASUDA FIRE & MARINE INSURANCE COMPANY OF AMERICA, THE
YOSEMITE INSURANCE COMPANY

Footnote: **Company began using credit scoring subsequent to 9-30-2002

Company	3-i Other Personal Lines Use Credit To Underwrite	Survey Question 3-ii Other Personal Lines Use Credit To Rate	5-iii Other
AEGIS SECURITY INSURANCE COMPANY	yes	no	n/a
AIU INSURANCE COMPANY	yes	no	n/a
ALLSTATE INSURANCE COMPANY	yes	no	n/a
AMERICAN INTERNATIONAL INSURANCE COMPANY	yes	no	n/a
ARMED FORCES INSURANCE EXCHANGE	yes	no	01/01/98
AUTO CLUB GROUP INSURANCE COMPANY	no	yes	11/01/99
AUTO CLUB INSURANCE ASSOCIATION	no	yes	11/01/99
AUTOMOBILE INSURANCE COMPANY OF HARTFORD	yes	no	11/12/99
BROTHERHOOD MUTUAL INSURANCE COMPANY	yes	no	n/a
FARMERS INSURANCE EXCHANGE	no	yes	no
FOREMOST INSURANCE COMPANY GRAND RAPIDS, MICHIGAN	no	yes	04/05/02
FREMONT MUTUAL INSURANCE COMPANY	no	yes	01/01/00
GLENS FALLS INSURANCE COMPANY	no	yes	12/01/99
HARLEYSVILLE LAKE STATES INSURANCE COMPANY	yes	yes	07/01/02
HASTINGS MUTUAL INSURANCE COMPANY	yes	no	n/a
INTEGON NATIONAL INSURANCE COMPANY	no	yes	03/21/01
MEMBERSELECT INSURANCE COMPANY	no	yes	11/01/99
MICHIGAN MILLERS MUTUAL INSURANCE COMPANY	yes	no	n/a
MID-CENTURY INSURANCE COMPANY	no	yes	n/a
NATIONAL BEN FRANKLIN INSURANCE COMPANY	no	yes	12/01/99
NATIONWIDE MUTUAL FIRE INSURANCE COMPANY	yes	no	n/a
PIONEER STATE MUTUAL INSURANCE COMPANY	no	yes	n/a
PROGRESSIVE MICHIGAN INSURANCE COMPANY	n/a	yes	n/a
SAFECO INSURANCE COMPANY OF ILLINOIS	no	yes	n/a
STANDARD FIRE INSURANCE COMPANY, THE	yes	no	n/a
TRAVELERS INDEMNITY COMPANY OF AMERICA	yes	no	11/12/99
WOLVERINE MUTUAL INSURANCE COMPANY	no	yes	05/01/02